Kemi-Tornio University of Applied Sciences

Keeping the Lights on in Village Stores

Supporting Rural Retailing in Lapland, Finland

Retail in Rural Regions

Nina Mäki

Bachelor's thesis of the Degree Programme in Business Management
Bachelor of Business Administration

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PREFACE

First of all, I would like to thank Dr. Esa Jauhola and Dr. Pirjo Alatalo for their kindness and valuable advice during my thesis process. Your expertise and patient instructions have been highly appreciated.

In addition, I would like to thank all my colleagues in the RRR project, especially Ms. Eila Seppänen for her expertise in project management and for giving me the opportunity to participate in the RRR project; Mr. Ian Smyth from Northern Ireland, Mr. Martin McAndrew and Mr. Barney McLaughlin from Co. Donegal, Ireland and Mr. Tor Justad from Scotland as well as Ms. Katrín María Andrésdóttirfrom and Sigrún Lilja Einarsdóttir from Iceland for guiding me to the right information sources and tirelessly answering all my questions regarding the rural retailing in their countries. I would like to thank Mr. Pentti Kaulamo for his expertise in retailing and for providing me with valuable information on the best practices in the service provision of rural retailers and Mr. Helge Schei from Norway for introducing the Merkur Programme and for the opportunity to meet the rural retailers in Norway.

My deepest gratitude goes to the rural retailers involved in the RRR project for letting me into their world, sharing their concerns and for letting me take up their precious time with my never ending questions.

Kemi, November 23, 2012

Nina Mäki

TIIVISTELMÄ

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Tämä opinnäytetyö on osa Vähittäiskauppa harvaanasutuilla alueilla – hanketta (RRR-hanke). Opinnäytetyön aiheena on vähittäiskaupan tukeminen harvaanasutuilla alueilla Lapin läänissä. Tavoitteena on tutkia kuinka RRR-hankkeessa kehiteltyä RRR-mallia voitaisiin hyödyntää Lapin läänissä vähittäiskaupan tukemiseksi. Harvaanasutuilla alueilla toimivien vähittäiskauppiaiden tukitarpeet sekä tarjolla olevat tukimuodot kartoitetaan. Lisäksi käydään läpi kuinka RRR-mallia hyödyntämällä voidaan kaventaa tarvittavien ja tarjolla olevien tukimuotojen välisiä eroja.

Vähittäiskauppiaiden liiketoimintastrategiat ja kauppiaiden haastattelut ovat pohjana RRR-mallin kehittämiselle ja sen hyödyntämiselle Lapin läänissä. Opinnäytetyössä keskitytään kuitenkin operatiivisiin toimenpiteisiin.

Tämä tapaustutkimus toteutetaan analysoimalla Lapin läänissä toimiville vähittäiskauppiaille tehtyjä puolistrukturoituja haastatteluja. Haastattelujen lisäksi tietoa kerätään mm. tutustumalla hyviin käytäntöihin vähittäiskaupan tukemisessa, tapaamalla vähittäiskauppiaita RRR-hankkeen partnerimaissa sekä tutkimalla vähittäiskauppaan liittyviä aikaisempia raportteja ja tutkimuksia.

Opinnäyteyössä esitetään miten RRR-mallia hyödyntämällä voidaan tukea vähittäiskauppaa harvaanasutuilla seuduilla Lapin läänissä. RRR-malli koostuu sidosryhmien välisistä tukitoimista: koulutuksesta, konsultoinnista ja verkostoitumisesta.

Asiasanat: Harvaanasuttu maaseutu, vähittäiskauppa, koulutus, konsultointi,

ABSTRACT

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The topic of this thesis is supporting rural retailing in Lapland, Finland. The objective of the research is to study how the RRR Model developed in the RRR project could be utilized in Lapland, Finland in order to support rural retailing. The current situation and the support needs of rural retailers in Lapland, Finland are mapped out, together with identifying the existing support offered to rural retailers. In addition, the question of how to fill the gap between the needed and offered support by using the RRR Model is discussed. The research carried out and presented in this thesis work is part of the Retail in Rural Regions project (the RRR project).

The focus of the thesis is on operational activities. However, strategic alternatives of rural retailers and the findings from the retailer interviews form a basis on which the tailor-made support model; the RRR Model is built on.

A semi-structured interview approach is used in this case study. In addition to the retailer interviews, information was also gathered by benchmarking best practices, visiting rural retailers in partner countries and from retail-related reports to name a few.

The utilization of the RRR model is presented as a possible solution for filling in the gap between the needed and existing support mechanisms. The RRR model combines relevant stakeholders in rural retailing with the support activities of training, consultation and networking.

Keywords: Rural, retail, training, consultation, networking, the RRR Model

CONTENTS

ABSTRACT

1 INTRODUCTION

The structure of this thesis is as follows. An overview of the thesis is first presented with the introduction of the case project. A review of the literature relevant to this thesis is then presented, followed by the discussion of the research methods. Retail sector in Finland, together with the rural retailers in Lapland, Finland are then presented. Findings of the empirical research are then discussed before presenting the conclusions of the thesis.

Retail shops have a valuable role in the vitality of rural villages in Northern Europe. Without the basic services such as banking, postal services, health care services and grocery stores, rural villages cannot entice new inhabitants, which lead to increased depopulation in aging rural region. The pressure increases on the remaining service providers to expand their core businesses as the amount of service providers diminishes. Retail shops are often the last and only service providers and are therefore essential in keeping the rural regions inhabited and vital. Hence, in order to enhance the economic growth of the rural regions, it is important to support the survival, development and growth of rural retail stores.

1.1 Background

Recent studies on rural retailing have mainly focused on the strategic choices for rural retail businesses, but little, if any, attention has been paid on the ability of the rural retailers to implement such strategies. This thesis emphasizes the practical measures rural retailers can undertake while implementing their business strategies. The Retail in Rural Regions project (the RRR project) focused on developing tailor made support services (the RRR Model) in order to support and develop rural retail businesses, hence offering suitable support for the retailers to implement their strategies. Even though this thesis does not deal with strategic alternatives directly, in order to form suitable support mechanisms for rural retailers, their strategic alternatives need to be established. The RRR project was carried out in 2009-2011 in Finland, Iceland, the Republic of Ireland, Scotland, the Faroe Islands and Northern Ireland. The RRR project is further introduced in Chapter 1.3. This thesis builds on the findings of the RRR project and focuses on giving practical examples on how the RRR Model could be utilized in Lapland, Finland in order to enable the continuity of the service developed in the RRR project.

As a project worker in the RRR project, I was able to study rural retailers over the course of three years, which has given me an in-depth understanding of the retail business in Finland as well as in other parts of the Northern Periphery region of Europe. In addition, I have had access to information, and resources, which would not normally be available for students. The RRR project enabled me to meet retailers and gather information from different countries. Several data gathering methods and sources used in the RRR project ensured a wide view of the topic.

The focus of the thesis is on operational activities, whereas recent studies have focused on exploring strategic options. In addition, this thesis studies rural retailers as opposed to recent studies which have concentrated on the small retailers as a whole. Concentrating the research in Lapland, Finland is also justified as circumstances in the markets differ substantially from the Southern Finland (Santasalo & Koskela 2008). Therefore, the findings of this thesis cannot be generalized to suit all regions in Finland. In addition, including all RRR project countries and retailers would have made this thesis too broad for a Bachelor’s thesis. There were also some differences in the target group selection of different RRR project partners, which would have made the comparison of results quite challenging. For example in the Republic of Ireland, rural retailers were selected from two different towns in the Co. Donegal, whereas in Finland, rural retailers were selected from different towns around the Province of Lapland. Therefore, other regions involved in the RRR project were excluded from this thesis.

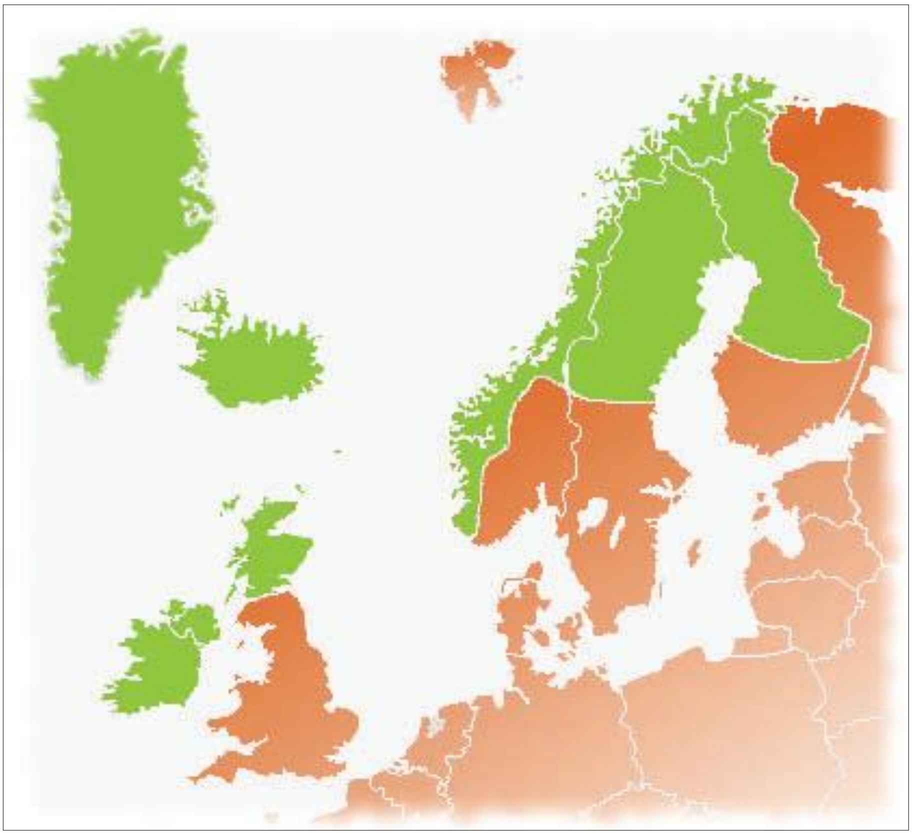

Figure 1. Northern Periphery Programme Region (Northern Periphery Programme 2009)

The focus of the research is on the Northern Periphery Programme region of Europe, specifically in Lapland, Finland. The Northern Periphery Programme region is presented in Figure 1. As can be seen from the map, the NPP region covers most of Finland. However, only Lapland, Finland is included in the RRR project and hence in this thesis.

1.2 Research Topic and Questions

The research carried out and presented in this thesis work is part of the Retail in Rural Regions project (the RRR project). The objective of the research is to study how the RRR Model developed in the RRR project could be utilized in Lapland, Finland in order to support rural retailing. First, the current situation and the needs of support mechanisms by rural retailers in Lapland, Finland are mapped out. Secondly, the existing support offered to rural retailers is studied and finally the question of how to fill the gap between the needed and offered support by using the RRR Model is discussed.

The research questions addressed in this research are as follows:

What are the common challenges rural retailers face in Lapland, Finland?
This research questions aims at defining the current situation and the support needs of rural retailers in Lapland, Finland.

What kinds of support mechanisms are available for the rural retailers in Lapland, Finland?
Existing support mechanisms offered to rural retailers in Lapland, Finland are identified and the suitability of the support mechanisms is defined.

How to fill the gap between the needed and existing support by using the RRR Model?
After defining the support needs of and the existing support for rural retailers, the utilization of the RRR Model is discussed in order to support the rural retailing in Lapland, Finland.

1.3 Case Project Introduction

The Retail in Rural Regions (the RRR project) project was a three year project carried out in 2009-2011. The RRR project was partially funded by the European Regional Development Fund and the EU Northern Periphery Programme (the NPP). National match funding came from different sources. NORA was partially financing partners from Greenland, Iceland and the Faroe Islands. The project covered most of the NPP area: Finland, Iceland, the Republic of Ireland, Scotland, the Faroe Islands and Northern Ireland. In addition, associated partners came from Greenland, Sweden and Norway. The partnership was a combination of research, public services and private institutions. (Retail in Rural Regions 2009b.) The project partners are listed in the Appendix 1.

The overall objective of the RRR project was improved service quality in small communities by supporting the survival, development and growth of rural retail shops. By the improved service quality, the project aimed to enhance economic growth of the regions involved in the RRR project. The vision of the RRR project was to have multifunctional stores running in participating regions. A multifunctional store referred to a store which provided a wide range of services in addition to groceries. The store had to have also the ability to survive in regions where the population was diminishing. The services could be both public and commercial. The purpose of the project was to provide and sustain tailor made support for rural shops. This support was offered by utilizing the transnational network of professionals. The final product was the RRR Model, adapted and implemented in the NPP regions. (Retail in Rural Regions 2009b; Retail in Rural Regions 2010b; Retail in Rural Regions 2010c.) A graph of the RRR Model is presented and further explained in Chapter 8.

The RRR project consisted of four different work packages (WP), which are demonstrated in Figure 2. The main activities of the project were joint activities for mapping the needs of the shops, defining the main characteristics of the new services, building the service, training the service providers and implementing the service for participating retailer businesses and supporting the establishment of multifunctional stores. (Retail in Rural Regions 2009b.) The RRR model was a service targeted to rural retail shops and intermediated by consultants. Active support programs already functioning in Norway and Sweden were benchmarked in to help in the development of the RRR Model. (Retail in Rural Regions 2009b; Retail in Rural Regions 2010c.)

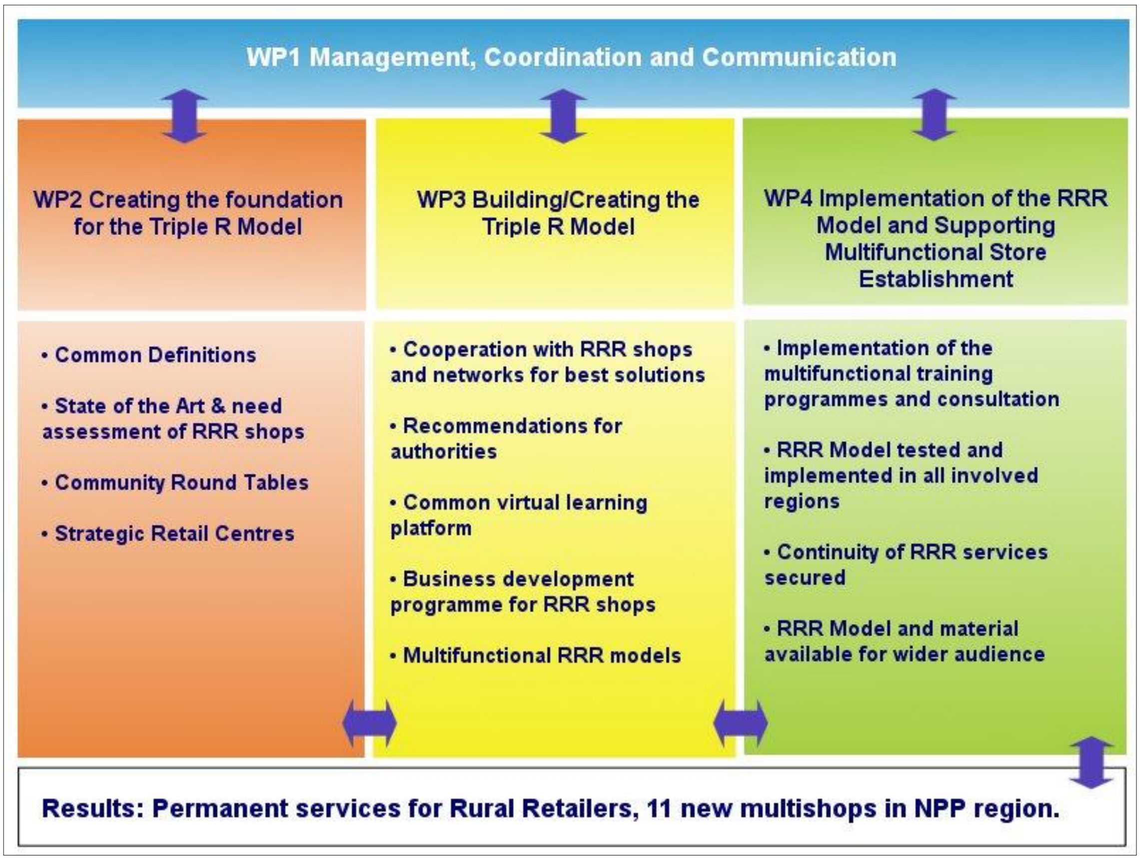

Figure 2. RRR Project Work Packages (Retail in Rural Regions 2009b)

Special attention was paid to networking in capacity building and so called quadruple helix. Quadruple helix is an extended idea of triple helix; quadruple helix contains not only universities/research institutions, private companies, government and other public organizations, but also civil society. The importance of the civil society is especially notable for regions, small towns and villages, which are remotely located and small and may also have economical and other challenges. (Retail in Rural Regions 2009a.)

1.4 Definition of rural retailer

According to the OECD regional typology, Finland is considered almost entirely as a rural area. Categories in the OECD regional typology are predominantly urban (PU), intermediate (IN) and predominantly rural (PR). Even the extended typology where predominantly rural areas are divided into close to a city and remote areas does not give a more detailed picture of Lapland, as it is considered as a remote area (OECD 2008). However, Finland has developed a typology between different types of rural areas to better describe the differences within rural areas. This typology classifies municipalities into urban municipalities (UM), rural municipalities close to urban areas (RCUA), rural heartland municipalities (RHM) and sparsely populated rural municipalities (SPRM). (OECD 2008.)

The circumstances in each participating country of the RRR project were unique for example with its specific geography, infrastructure, social conditions, population and climate. Therefore, the OECD definition was not suitable for the RRR project and a common definition for rural retailing needed to be established. The common definition was based on two factors: definition of rural area and definition of a rural retail shop. Based on these two factors, the definition of rural retailing for the RRR project and hence this thesis refers to an area which consists of less than 3000 inhabitants and has a minimum 30 minutes traveling time for the inhabitants to the nearest city or town offering a wide variety of services or 10km from the rural shop to the nearest shop (Retail in Rural Regions, 2010).

1.5 Methods and Methodology

Several research techniques are used within this case study method. Prior research in rural retailing has primarily concentrated on quantitative approach (Marjanen 2000; Broadbridge & Calderwood 2002). However, given the complex situations rural retailers face, a semi-structured interview approach was chosen as it has been viewed most appropriate in similar research (Byrom & Medway & Warnaby 2003). In addition, qualitative methodology is deemed effective when the existing knowledge on a topic area is scarce (Gillham 2000). In addition to the interviews of rural retailers, information was also gathered by benchmarking best practices, visiting rural retailers in partner countries, from retail-related reports, via iLinc meetings, emails and phone calls in order to get an in-depth understanding of the circumstances in rural retailing. Due to confidentiality issues, transcripts of the interviews, emails and phone calls are not attached to this thesis. Transcripts are at the present writers' disposal and the persons involved in the thesis acceptance process were submitted these document for evidence. However, an overview of the findings is presented in Chapter 6. Methods and methodology are further discussed in Chapter 2, including the discussion of my active involvement in the research work.

Even though the RRR project was an international project, this thesis work concentrates on the results concerning the Finnish Lapland. However, comparisons between the different partner countries' findings are made to emphasize the different approaches of the utilization of the RRR Model.

2 LITERATURE REVIEW

Previous research on rural retailing and key concepts are introduced in this chapter. First, different definitions are discussed as they present also the limitations of this thesis. Secondly, relevant previous research in the domain of rural retailing is introduced to demonstrate the complexity of the subject and finally the Merkur Programme is introduced. The Merkur Programme was benchmarked during the RRR Project as an example of good practices in supporting rural retailing in Norway.

2.1 Key definitions

A multitude of rural definitions has complicated the comparison of recent studies in rural retailing. The OECD regional typology (2008) classifies regions into three different categories: Predominantly Urban (PU), Intermediate (IN) and Predominantly Rural (PR) based on the population density and size of the urban centers located within the region. According to this OECD regional typology 89% of Finland is considered as predominantly rural area. (OECD 2008.) In 2009, the OECD adopted a refinement of the OECD regional typology in order to include an accessibility criterion (OECD 2011). This classification consists of five types of regions: predominantly urban (PU), Intermediate Close to a city (INC), Intermediate Remote (INR), Predominantly Rural Close to a city (PRC) and Predominantly Rural Remote (PRR). According to this accessibility criterion, a region is considered to be remote if at least 50% of its population needs to drive 60 minutes or more to reach a populated center with more than 50,000 inhabitants. (OECD 2011.) However, even the extended regional typology defines the whole Province of Lapland as a predominantly rural remote region. Even though these characteristics define the outer parameters, they do not account for different levels of remoteness and peripherality. However, Finland has developed a typology that better describes the differences within rural regions than the OECD regional typology does (OECD 2008). The typology classifies municipalities into Urban Municipalities (UM), Rural Municipalities close to Urban Areas (RCUA), Rural Heartland Municipalities (RHM) and Sparsely Populated Rural Municipalities (SPRM). Figure 3 presents the Finnish regional typology.

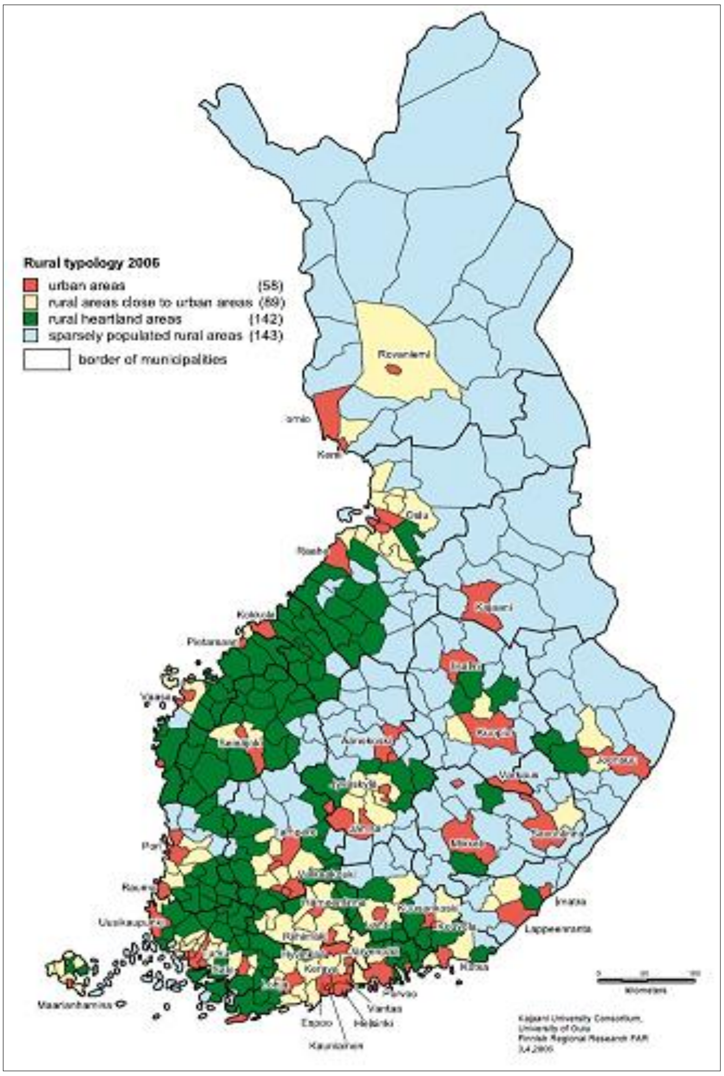

Figure 3. Finnish rural typology (OECD 2011)

In addition to the aforementioned typology, definitions of rural vary in research conducted in different countries. Paddison and Calderwood (2007) in the UK point out the dilemma with various definitions as well. They define common variables used in previous research as the number of settlements below a certain threshold, population density and non-urban areas. Paddison and Calderwood mention the definition of rural by the Scottish Executive, which also considers the accessibility issues, defining rural region as an area within 30 minutes drive of a town above 10,000 inhabitants. Johnson and Yoo and Rhee and Lennon and Jasper and Damhorst (2006) on the other hand define rural areas in the USA as non-metropolitan statistical areas with population less than 12,500 persons.

The various definitions of a rural retailer are just as problematic as the definitions of a rural area. Paddison and Calderwood (2007) compile the different definitions based on identifiable features such as the ownership types, annual sales figures, locations, catchment areas as well as product and service provision. Byrom et al. (2003) include businesses which primarily offer physical goods as opposed to the provision of a service. However, post offices are included as they offer typically also physical products such as stationary and newspapers in addition to their basic services. In addition, Byrom et al. (2003) include cafes, public houses and restaurants, since they offer food and drinks to non-residents.

In Finland, the trade industry is divided into two categories: retail and wholesale. Furthermore, trade industry can be divided according to the product selection into grocery sales, specialty goods sales and technical sales as well. (Federation of Finnish Commerce 2012.) It should be noted that the Nordic term for groceries does not refer only to food. The Nordic term refers to other daily consumer goods as well which are generally purchased alongside food items. Thus, the term 'grocery store' refers to a shop that offers food, beverages, household paper and tissue products, tobacco products, newspapers and magazines, techno-chemical products and daily cosmetics. (Finnish Grocery Trade 2009-2010 2009.) In addition, consumer goods other than groceries are called either specialty goods or consumer goods. The term 'specialty goods' is used by specialized retailers, whereas hypermarkets and department stores use the term 'consumer goods' (Finnish Grocery Trade 2009-2010 2009, 5.). Different store types relevant to this thesis are further discussed in Chapter 4.

However, in order to help to identify the different kinds of challenges faced by different types of rural areas as well as different types of retailers, a common definition needed to be established in the RRR project. In addition, the circumstances in each participating country of the RRR project were unique for example with infrastructure, geography and population. Therefore, it was important to consider the different characteristics of each participating region in order to target suitable retail businesses. The common definition for the RRR project, and hence this thesis was based on two factors: the definition of rural area and a definition of a rural retail shop. A rural area was an area with a population of less than 3000 inhabitants. In addition, there should have been a minimum of 30 minutes traveling time to the nearest town or city offering a wide variety of services, or a minimum distance of 10km from the rural shop to the nearest shop. The ownership and the retail sector of the rural shops were not limited. However, the type of retail store was limited to businesses with the main function of purchasing and selling goods to consumers and end users. In addition, retailers could offer other services such as gas, lottery, coffee shop and post office besides the main function of selling products. (Retail in Rural Regions, 2010.)

It should also be noted that although the definition of a village store in Finland refers to a small store whose area is less than 400 m², the word ‘village store’ is used in this thesis to refer to all rural retail stores involved in the RRR project. Different store types in Finland are further discussed in Chapter 4.

2.2 Previous research on rural retailing

Despite the fact that this thesis does not deal with strategic alternatives directly, in order to form suitable support mechanisms for rural retailers, their strategic alternatives and the challenges rural retailers face in implementing their strategies need to be established. Therefore, strategic alternatives form the basis on which the tailor-made support model; the RRR Model is built on. The RRR Model is introduced in Chapter 8. The information presented in this chapter is utilized in the formulation of the RRR Model together with the findings on the retailer interviews and the existing support mechanisms. Retailer interviews are further discussed in Chapters 5 and 6 and existing support mechanisms are presented in Chapter 7.

Even though the issues related to retail business in general and its effects on economic development have been widely studied, relatively little attention has been paid to rural retailing and its region specific characteristics. Policy organizations, trade industry organizations and academics all agree that rural shops are vital not only economically, but also socially to the communities (Broadbridge & Calderwood 2003; Federation of Finnish Commerce 2011; FGTA 2012-2013 2012). However, a decline in rural retail has been evident throughout the past decades (Kirby 1987; Jussila & Lotvonen & Tykkyläinen 1992; Byrom et al. 2003; Finnish Grocery Trade 2009). Paddison and Calderwood (2007) demonstrated the connection between the economic prosperity of the area and the rural retailing. Their research concentrates on the positive aspects of rural retailing, gathering different alternatives for rural retailers to develop their businesses. Furthermore, Paddison and Calderwood (2007) present the social importance of rural retail stores. Findings from the retailer interviews concurred with these previous research. Rural retailers are not just merchants, but provide also an important social hub and information source for the local people. Local people gather together in village stores to meet other people and share information besides doing their shopping. Many rural retailers pointed out that local people often come down to the shop just to chat and do not necessarily even shop for other than an occasional carton of milk or a cup of coffee. Furthermore, as employers, as well as cooperation partners to other entrepreneurs in the region, rural retailers are vital to the communities.

Industry organizations such as the Finnish Grocery Trade Association (FGTA) and the Federation of Finnish Commerce as well as trade unions, have produced publications on the retail trade in Finland specifically. As their focus is on presenting the statistics and the operations of the retail trade, they give valuable insight to the retail industry as a whole in Finland. However, these publications focus on the quantitative data and do not present the underlying reasons behind the statistics. My work during the RRR project has improved my understanding of the statistics and provided a wide picture of the state of rural retailing in Lapland, Finland. In addition, the retailer interviews conducted with rural retailers and visiting their stores have provided me with information that cannot be gained through reading research reports.

Results of a research conducted in Northern Ireland, Iceland and Finland, also as part of the RRR project, have been utilized in this thesis to define the common barriers rural retailers face in the aforementioned countries. These barriers are the owner-manager education level and operational capacity, the lack of institutional support for the rural retailer as well as limited finances. The research also suggests that rural retailers need to be more proactive in adapting to the changing global economy. In addition, local and regional alliances and networks need to be developed and the support provided by local authorities should be increased. (Hutchinson & Quinn, & Smyth & Karlsson & Zwaga & Jauhola & Mäki 2010.) The research paper is at the present writers’ disposal and the persons involved in the thesis acceptance process were submitted this document for evidence.

Jussila et al. (1992) identified three strategic directions for rural retailers in their study of retailer strategies in the Finnish Lapland. They imply that the three strategic alternatives, adaptation, diversification and expansion, are mutually exclusive and each strategy is spatially bound to the local circumstances with different implementation models. Byrom et al. (2003) researched rural retail businesses in the Uist chain in the Western Isles of Scotland. They present a reworking on the basic Ansoff matrix, bringing it into a rural retail context, by developing a Funnical model of rural retail strategies. The Funnical model is presented in Figure 4.

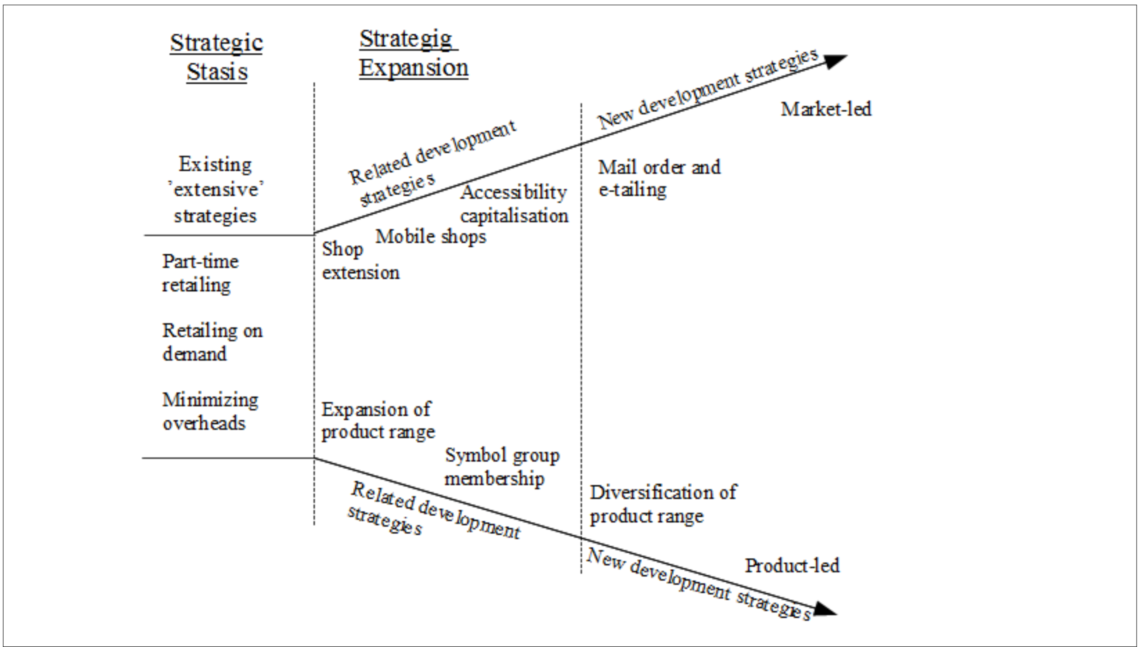

Figure 4. Funnical Model of Rural Retail Strategies (Byrom et al. 2003)

While Jussila et al. (1992) imply that retailers can choose one of the three strategies; Byrom et al. (2003) on the contrary suggest that retailers adopt more than one strategic approach. The Funnical model divides strategic alternatives into product-led and market-led strategies, emphasizing that these two strategic choices can be combined. Retailers can adopt a position wherever in the funnel. Hence, mixing the product-led and market-led strategies, as well as adopting various positions within the model simultaneously. A grocery store can be open only during high tourism season for example and at the same time offer local products via web shop all year round. Based on the retailer interviews, the strategic alternatives used by the rural retailers in Finland, align with the work of Byrom et al. (2003) as opposed to the work of Jussila et al. (1992). Therefore, the formulation of the RRR Model takes into account the mixed strategies according to the Funnical model.

Despite the fact that the focus of this thesis in on the retailers' point of view, some consideration needs to be paid on the shopping behavior of customers as well, as consumer behavior affects the possible sales channel choices of rural retailers. However, customer behavior is considered in this thesis merely from the point of view of accessibility. Johnson et al. (2006) studied the shopping behavior of rural consumers in non-metropolitan areas of the USA. Their research divides consumers into three groups according to their shopping channels. Groups are store-only shoppers, store and catalog shoppers and multi-channel shoppers. Store-only shoppers represent the single-channel shoppers. An interesting finding in the research was that single-channel shoppers are the most satisfied with local offerings as well as most attached to the community. However, rural consumers especially are likely to use increasingly multi-channel trade possibilities as they have fewer local shopping opportunities. Marjanen (2000) studied out-shopping in a small rural municipality of Aura, in South-West Finland. Marjanen (2000, 204) suggests that retailers in Aura should attract more tourists in the area as Aura, and other centers of similar size, need a wider customer base in order to diversify and strengthen their retail supply. In addition, Marjanen (2000, 204) underlines the importance of geographic variables in store choice as she points out that the positive image of the retail store alone is not sufficient to attract shoppers if the location is not appropriate for customers. Paddison and Calderwood (2007) on the other hand suggest that accessibility to large population concentrations creates opportunities for proximate regions, hence non-residents in-shopping in rural areas. Based on the retailer interviews conducted, there were indications of both out-shopping and in-shopping possibilities. Residents, who commuted to other towns to work, tended to out-shop as it was most convenient for them. In addition, the lack of basic services such as banks and health care services increased out-shopping as local residents did their everyday shopping while taking care of their other errands. However, especially prestigious local products attracted in-shopping from non-residents. One retailer commented that tourists stop by their store on their way to skiing resorts just to buy local food products. Another retailer stated that people from the Southern Finland, and even foreign customers, buy fishing gear from the shop via the Internet. These findings indicate that the location itself is not the only factor affecting rural retailing. The use of multiple sales channels as well as the reputation of products creates new opportunities for rural retailers.

The aforementioned review of the literature supports the validity of identifying the suitable support mechanisms for rural retailers in Finland. This thesis builds upon this previous work by addressing the operational activities of rural retailers in Lapland, Finland and suggests how the RRR Model could support rural retailers. While previous research focuses on the strategic alternatives, this thesis emphasizes the practical measures rural retailers can undertake while implementing their business strategies.

2.3 The Merkur Programme

The Merkur Progamme was established in 1995 and had a budget of 11 million NOK in 2011 (Schei, H. 2011). The primary targets of the Merkur Programme are retailers in areas which suffer from the population decline and which have long distances to other retail opportunities. The Merkur Programme is financed by the Ministry of Local

Government and Regional Development. The target structure of the Merkur Programme is threefold, including service, retail and communities. The program goals are to facilitate the maintenance of good quality service provision and to ensure access to grocery stores near homes. In addition, the Merkur Proramme aims at increasing the awareness of the population and politicians on the importance of the grocery stores in the neighborhood. (Merkur Programmet 2011; Schei, H. 2011.) The Merkur Programme operates in cooperation with the chains of NorgesGruppen, Coop, ICA and the Norwegian Booksellers Association (Schei, H. 2011).

The work of the program is divided into 11 local communities, where local, educated consultants work closely with the retailers. The work of the consultants consists of the main program, which includes five seminar, visiting program, individual counseling as well as projects and regional conferences. During the visiting program, consultants visit the participating retailer’s shop regularly. Consultants also meet with the municipality representatives and other persons who are involved in the development issues in rural areas. In addition to the face-to-face meetings, retailers can contact consultants via phone and e-mail. Regional consultants work very closely with the retailers offering tailor-made support for example on product and service provision, pricing and more efficient ordering. Hence, the support activities depend on the needs of each retailer in question. (Retail in Rural Regions 2010a; Schei, H. 2011.) An important part of the activities of the Merkur Programme is the mobilization of the local communities. Consultants help the retailers to mobilize the community to support the local shop by sufficient purchases. Offering local products has been deemed an effective way to entice customers and strengthen the community feeling. In addition, it has been deemed important to increase the awareness of the vital role of local shops. Enthusiasm of the retailers is not enough as retailers are also dependent on supporters. (Schei, H. 2011.)

The Merkur Programme was benchmarked during the project trip to Norway in February 2010 as an example of good practices in supporting rural retailing. I visited the retailers who have participated in the Merkur Programme. Each retailer introduced their shop, told about their product and service provision and how the Merkur Programme had helped them. All retailers maintained that without the support provided by the Merkur Programme, they would have been forced to close their shops. Therefore, the importance of tailor-made support services for rural retailers is quite evident. (Retail in Rural Regions 2010.)

3 METHODS AND METHODOLOGY

In this chapter, the research methods and techniques as well as the details of the case study are introduced. First the research methods and techniques are discussed, followed by the description of the target samples and finally details of the retailer interviews are introduced.

As was previously stated, prior work in rural retail research has mainly taken quantitative research approach (e.g. Marjanen 2000; Broadbridge & Calderwood 2002). Due to lack of recent research in this specific region, Lapland, Finland, a qualitative method was valid in order to gain an in-depth understanding of the situation of rural retailers (Gillham 2000). Content analysis was implemented in the qualitative analysis of the retailer interview data, which in this study refers to the searching of text for recurring words, themes or core meanings (Patton 2002). Through content analysis, it is possible to process a large amount of textual data into fewer themes or categories. In this thesis it was used to compile the retailer interview data gathered in the RRR project into themes, which in turn helped with the formation of the RRR Model. The principal research for this thesis was undertaken in 2009-2011. However, the latest statistics and trade industry reports were available in the fall of 2012. Hence, the data concerning for example retail and regional statistics have been updated accordingly.

This research has been divided into three stages. First, the need analysis was conducted to map out the current situation of the rural retailers using the semi-structured interviews. Following the need analysis, the operational environment of the trade sector was studied in order to find out the existing forms of support. Finally, the model for closing the gap between the existing and needed support options was developed. The topic of the thesis is multifaceted in that it considers both internal and external factors affecting rural retailing. In addition, there are several actors in the domain of rural retailing, therefore data needed to be gathered from several sources. Due to several sources of data, data triangulation was deemed most appropriate. Data was gathered from different sources through interviews, desk research, field trips and observation, using both quantitative and qualitative research methods. Quantitative research methods were primarily used for studying the trade sector in Finland. In addition, informal discussions with retailers, consultants, officials and the RRR project workers during the project visits have provided valuable information that would not be available through formal research. During lunches, dinners, bus rides and coffee table discussions people seemed to relax and share experiences and opinions more freely than in formal meetings and interviews for example.

The second stage of the research involved extensive desk research. Desk research is viewed as an effective, and inexpensive, way of gathering existing data from a variety of places (Management Study Guide 2012). Desk research included gathering data from published reports, web pages, magazines and statistics of different lobbying organizations, trade associations, municipalities, NGOs, educational institutions, chains and from the Statistics Finland. In addition, data was gathered by phone calls and emails from the aforementioned sources in order to find out what kind of support was available for the rural retailers in Finland. It should be emphasized that the list of support methods and providers discussed in Chapter 7 is not exhaustive. The list includes such forms of support that were specifically required by the rural retailers involved in the RRR project and hence in this case study.

3.1 Target sample

An interview form was developed for conducting the semi-structured interviews in all participating countries of the RRR project in order to assess the present situation for rural retailers in each region and ensure a level of consistency across all retail businesses interviewed. Retailer interview form is presented in Appendix 2. Each partner selected a sample of rural retailers to take part in the interviews. The definition of a 'retailer' referred to a business which had a main function of purchasing and selling goods to consumers or end users. Retailers could also include other services as part of its function as the goal of the RRR project was to create and develop multifunctional stores. A 'rural retailer' was defined according to its population, namely having a population of less than 3000 inhabitants. In addition, there must have been a minimum of 30 minutes traveling time for the inhabitants to the nearest town or city offering a wide variety of services, or at least 10km to the next shop. (Retail in Rural Regions 2010b.)

The retail companies in Finland were selected according to the following procedure. First I collected a list of retailers in Lapland from the Enterprises in Western Lapland, the Enterprises in Lapland and merchant lists of chains of Tradeka, Tarmo, Kesko and S Group. The chain of Tradeka consists of Siwa and Valintatalo stores, whereas Kesko consists of K-market, K-extra and K-supermarket stores. In addition, S Group consists of Sale, Spar and S-market stores. However, none of the interviewed retailers represented the S Group. At that point, the list of retailers included 148 retail businesses. The list was then narrowed down by excluding retailers who were located too close to city centers. In addition, certain retail businesses such as bookstores, sport stores, gas stations, kiosks and toy stores were excluded from the list, leaving mainly grocery stores on the list, together with specialty stores such as gift shops and clothing stores. Invitation to join the RRR project together with the RRR project brochure was then sent to the 81 remaining retailers. The map of invited retailers is presented in Appendix 3. Following the development of the definition of a rural retailer in the RRR project, more retailers were excluded, reducing the amount of retailers to about 50. Following the first contacts from the retailers, 5 sub areas were chosen to cover Lapland equally and I contacted retailers in suitable areas by phone to arrange interviews. I conducted all 12 retailer interviews face-to-face and sent the interview forms to retailers beforehand by email. In a majority of the retailer interviews, a second interviewer was present as well in order to minimize the subjectivity of the interviews. I transcribed the retailer interviews and sent the interview forms to the retailers for review, giving them a chance to correct possible misunderstandings, as well as complete and specify their answers if needed. I conducted follow-up interviews mainly by phone or via email.

3.2 Details of interviews

While majority of the interviewed retailers were involved in grocery retail, a variety of other retail sub-sets were also included to ensure a broader product and service offering in the research. Altogether, 125 retailers were involved in the RRR project. In Finland, 12 retailer interviews were conducted, including three specialty stores and one service station with a convenience store, while the rest were grocery stores. However, it should be emphasized that all of the interviewed retailers offered other products and services as well such as postal services, souvenirs and lottery to name a few. Interestingly, one of the specialty stores offered postal services as well. Service and product offerings will be further discussed in Chapter 5.

Businesses such as banks, real estate agents, hotels and hairdressers were excluded as the focus was on retailer businesses whose primary business was offering physical goods. The chosen retailers represented both independent ownership and chains. These characteristics tallied with the works of Byrom et al. (2003) and Paddison and Calderwood (2007). In addition, in Finland the interviewed retailers were chosen from different parts of the Finnish Lapland in order to limit area specific characteristics. In addition, limiting the interviews to a specific region in the Finnish Lapland would have made it impossible to draw general conclusions. On average, the retailer interviews lasted between 1-2 hours and were all conducted face-to-face with the owner-managers.

3.3 Themes of retailer interviews

The retailer interviews were conducted to identify the key elements of business performance in each participating region of the RRR project. The findings formed a basis for the support needs analysis which allowed the development of the support program, relevant to the specific needs of each retailer, but also within a broader project framework.

The questions focused on the following themes:

- Financial performance (turnover, net/gross profit)
- Background to the area, including other services offered in the area
- Unique selling points of the products/services offered
- Future direction of the business (i.e. willingness to diversify and/or differentiate)
- ICT and language skills (including educational background and willingness to participate in training programs)
- Access to business support (e.g. buying groups, local authority etc.)
- SWOT analysis.

In addition to the themes listed above, other data was gained as well such as the future prospects of the area, specifics on the customer-base, cooperation with other retailers and actors in the village as well as retailers' personal interest in participating in activities of different support organizations. For reasons of confidentiality, participating companies cannot be named. Locations of the interviewed retailers in Finland however, are shown in the map presented in Appendix 4.

4 RETAIL TRADE IN FINLAND

This chapter includes the presentation of the retail sector in Finland. Together with the different store types, the concentration of the retail markets as well as the structural change of the grocery trade is discussed.

Trade industry plays an increasingly important role in the transition of the Finnish economy from the primary sector production into a service-based economy. Already two thirds of the working Finns are employed in the service industry. Trade sector is the largest service industry as well as the most significant employer out of all industries in Finland. In 2011, trade sector employed over 300,000 people, of which 55% worked in retail trade. (Federation of Finnish Commerce 2012c.) Trade industry formed 9, 9% of the Finnish GDP in 2010 and paid over fifth, in other words 21, 6% of the corporate taxes collected in Finland in 2010. Corporate taxes collected in Finland in 2010 amounted to €4.5 billion in total. (Federation of Finnish Commerce 2012b.) Grocery sales have increased over the past years from €14.1 million in 2008 and €14.5 million in 2009 to €15.3 million in 2011 (FGTA 2009-2011 2009; FGTA 2010-2011 2010; FGTA 2012-2013 2012b). Food accounts for about 80% of all grocery store sales. The importance of the trade sector to the Finnish economy as a whole is hence quite evident. As a significant employer of young people, it has also an important role in preventing the social exclusion of the young people. Trade sector employs more than one third of the young people under 25 (Federation of Finnish Commerce 2012c).

In addition, the increase of online trade creates new opportunities, as well as challenges, for the retail trade. The value of online sales in Finland rose to €10.1 billion in 2011 with an increase of 10% from the previous year. The proportion of the purchases made on foreign online stores was 13%. Products and services related to traveling and transportation are the most common online purchases. (Federation of Finnish

Commerce 2012a.) Rural consumers especially are likely to use increasingly multichannel trade possibilities as, compared to urban consumers, they have fewer local shopping opportunities (Johnson et al. 2006). While some rural consumers commute to other municipalities or cities, and hence have possibilities to shop outside their local area, other rural consumers may be limited in their ability to out-shop. Thus, those consumers who are unable to do their shopping outside their local municipality or village may be keener to make use of different shopping channels.

4.1 Store types and definitions

Trade industry is divided in Finland into two categories: retail and wholesale. Trade industry can also be divided according to the product selection into grocery sales, specialty goods sales or technical sales. (Federation of Finnish Commerce 2012a.) Consumer goods other than groceries are either called specialty goods or consumer goods. 'Specialty goods' is a term used by specialized retailers, while hypermarkets, department stores, and large retail chains use the term 'consumer goods'. The term 'grocery store' usually refers to a self-service market that offers a complete selection of food, beverages, techno-chemical products, and household paper and tissue products, tobacco products, newspapers and magazines, and daily cosmetics. (FGTA 2012-2013 2012b.)

In addition to supermarket sales, retail sales of groceries also include specialized food retail store, kiosk, petrol station, discount store, and open-air marketplace sales. At the EU level however, the grocery market also includes sales by catering wholesaler customers, such as daily meal services of public institutions as well as restaurant, cafe, and staff cafeteria sales in the private sector. Furthermore, the EU statistics also list retail sales of alcoholic beverages under grocery trade. (FGTA 2012-2013 2012b.)

Specialty stores refer to retail stores that offer specialty goods and services related to specialty goods. Specialty stores are for example clothing and shoe stores, furniture and interior design shops, book stores, pharmacies, ironmongers and building supply stores, jewelry stores, household appliance stores, health product and optician shops as well as other retail stores that are specialized in the sales of other commodities. (Federation of Finnish Commerce 2012a.)

Grocery stores are divided into nine categories in Finland according to their sales area. These categories are department stores, hypermarkets, supermarkets and markets, corner shops, discounters, small stores and kiosks, convenience stores and service stations, and product-specific specialty shops. The change in legal opening hour regulation came in force in 2001 after which new sales area definitions were ratified. The sales area is calculated along the walls of the store, which means that sales area includes service counters and the space behind them, but not the area behind the cashier line or the draught lobby area at the entrance, nor the areas accessible to store personnel only, such as staff locker rooms as well as storage and warehouse areas. (FGTA 2012-2013 2012b.) Store types included in this thesis are markets, village stores, specialty stores as well as convenience stores and service stations.

According to sector statistics, the supermarket stores are divided into large supermarkets whose size exceeds 1,000 m^2 and small ones whose size is 400–1,000 m^2. These smaller ones are often simply called markets. A supermarket is primarily a self-service-oriented grocery store whose retail activity focuses on food. The sales area of a super market is at least 400 m^2 and food items account for more than half of it. Supermarket stores in Finland are S Market, K Supermarket, K Market, Valintatalo and M Chain stores. (FGTA 2012-2013 2012b.)

A corner shop, or a neighborhood store, is any grocery store close to the consumers. A corner shop is normally a self-service market smaller than 400 m². The size of a large self-service store is 200–399 m² and of a small one 100–199 m². A corner shop can be described as a grocery store located in a residential area, close to consumers and easily accessible on foot. In population centers, supermarkets also act as corner shops. Another form of a corner shop is a village grocery store. For the investment aid of the village grocery store, it is defined as a grocery store located in sparsely populated areas or small population centers, whose area is less than 400 m² and annual sales less than €2 million. (FGTA 2012-2013 2012b.) It should be noted that the term ‘village stores’ is used in this thesis to refer to all retail stores involved in the RRR project.

Convenience stores are becoming more and more popular in Finland. In addition to grocery trade, restaurant services, and petrol sales, convenience stores also provide other services. Previously, the service station offerings mainly consisted of petrol sales and restaurant services. Convenience stores and service stations operating in Finland are ABC, Teboil and Neste Oil. (FGTA 2012-2013 2012b.)

4.2 Concentration of the retail markets

The Finnish grocery trade is highly concentrated as three largest chains account for 88, 3% of the market. The market shares of the Finnish grocery trade groups are presented in Figure 5. It is also characterized by the centralization of procurement and logistics. (FGTA 2012-2013 2012b. Finland is in no way an exception as the situation is the same in other Nordic countries. In vast, sparsely populated countries, it is impossible to be logistically efficient without large volumes. In addition, poor cost-efficiency would lead to higher prices, smaller selections as well as poorer service and reduced accessibility for customers. (FGTA 2012-2013 2012b.) Chains are also common in the Finnish specialty trade. However, specialty trade is not as concentrated as the grocery trade (Santsalo & Koskela 2008).

A steady increase in the market share of the three largest chains has lately raised a debate whether these chains control the markets too much. However, it should be pointed out that independent ownership of especially rural retail shops has not decreased significantly.

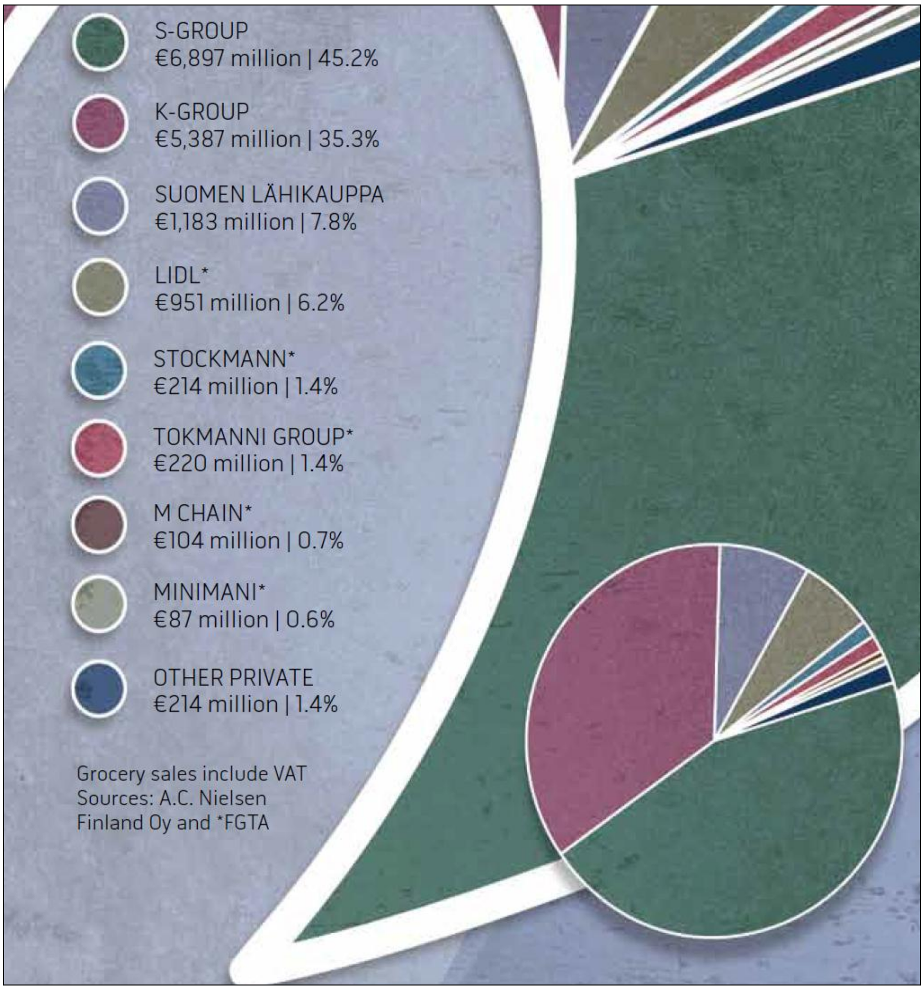

Figure 5. Market Shares of Grocery Trade Groups in 2011 (FGTA 2012-2013 2012b)

Moreover, independent retailers rely on their supply from the three dominant chains; hence chains are offering support for rural retailers by enabling efficient logistics in sparsely populated regions as well. Foreign competition and the expansion of the EU to the Baltic countries have also connected the Finnish retail market to the internal markets of the EU. (FGTA 2012-2013 2012b.) Retail trade in Finland is also highly concentrated in terms of geography. Helsinki Metropolitan Area accounts alone for one quarter of the total value of the retail sector. The same applies to the purchasing power. It is highest in specialty retail trade in the Helsinki Region and lowest in the Provinces of Oulu and Lapland. (Santasalo & Koskela 2008, 4.)

4.3 Structural change in grocery trade

Despite the fact that the amount of grocery stores has decreased during the past decade, the size of the remaining stores has increased. In 2011 195 stores closed their doors, whereas in 2009 the amount was 162. The number of market-size stores has gone down from 9,398 in 1978 to almost a third of it, 3,216 in 2011. (FGTA 2012-2013 2012b.) Migration to growth centers, increased use of cars together with the changes in consumer demands have led to a more extensive selection of goods. Increase in the amount of goods naturally demands larger store space. The market share of stores larger than 1,000 square meters is approximately 64,5% and 10% of all the stores are responsible for 50% of the value of grocery trade. The largest stores, in other words, 30% of the stores, account for 79% of all grocery sales. (FGTA 2012-2013 2012b.) The key competitive strategy of the grocery trade has been its efficiency and larger stores are clearly more cost-efficient than smaller ones. However, it should be pointed out that the grocery sales in small stores have increased from the €191 million in 2000 to €321 million in 2011. Stores with a sales area of less than 100 m² are considered as small stores. Small self-service markets, which are stores with a sales area of 400-1000 m², on the other hand have faced an increase from the €485 million in 2000 to €536 million in 2003, but a decrease down to €479 million in 2011. (FGTA 2012-2013 2012b; Federation of Finnish Commerce 2011.) Majority of the retail stores involved in the RRR project in Finland belong to this size category.

Numerically smaller stores account for a quite small share of the total sales; however their significance as the service providers in the region is far more important than their volume might indicate. Smaller stores are ensuring the habitability of the sparsely populates regions as well as providing an important social hub for the village. (FGTA 2012-2013 2012b.)

Deregulation of the trade is seen as an important competitive improvement for the whole retail trade, but it has an increasingly important meaning for the smaller stores, which are currently losing purchasing power to larger markets that have for example Alko and pharmacies operating in the same premises (FGTA 2012-2013 2012b). There has been a lot of public discussion recently on the possibilities of transferring the sales of III-beer to Alko and II-beer to retail stores. Pellervo Economic Research PTT (Statistics Finland 2012) researched in March 2012 how this transfer would affect trade. According to the report, the transfer and other loss of sales it would cause would jeopardize the operation of up to thousand small retail stores. Allowing the sales of mild alcoholic beverages and self-care medicine would have a significant impact on the survival of smaller stores. Transferring the sales of III-beer to Alko would have effects on the sales of groceries, beverages and tobacco products, hence causing other loss of sales for retail stores along the beer sales. Usually each large retail store has Alko next door. It has been estimated that the increase in grocery trade is about 10% with Alko in the premises. This equals about a million euros worth of additional sales. On average, the total sales of a small retail store are about one million euros, which gives a totally different meaning to the effects of not having Alko close to the retail store. (Statistics Finland 2012.)

It is estimated that the municipal reform will reduce the number of municipalities from the current 330 to about 70 (FGTA 2012-2013 2012b). A significant number of public services will be centered in the central municipality to improve efficiency. This change will require an active local service policy in order to secure the services that are important for the everyday life of the local people. Rural retail businesses have an essential role in this structural change. The retailer interviews revealed that several rural retail stores in Lapland, Finland already offer a wide variety of services that would have otherwise disappeared from the region. The significance of rural retailers as employers is emphasized as well in sparsely populated regions (FGTA 2012-2013 2012b).

5 RETAILERS IN LAPLAND

This chapter deals with the retailers involved in the RRR project, and hence this thesis, as well as the retail environment in Lapland, Finland. An overview of the Province of Lapland and village grocery stores is followed by the introduction of the rural retailers and their service and product provision.

Internet has changed the concept of distance, making an increasing amount of products and services accessible regardless of the location. However, the availability of basic services has a vital impact on the habitability of rural areas. (FGTA 2012-2013 2012b) Based on the retailer interviews, retailers in rural regions do not necessarily need to worry about direct competitors in the village or municipality, but they face other challenges such as diminishing local customer-base, logistical challenges due to long distances and out of town shopping, not to mention increasing on-line shopping.

According to the OECD, the key issues in the future well-being of the Finnish rural areas are increasing the equitability and efficiency of public services, ensuring competitiveness of rural enterprises that are not connected to farms, and improving the environment for business operations in the country (Rural Policy Committee 2008). Based on the retailer interviews, there is a strong pressure on rural retailers taking on the provision of public services in order to maintain the public services in the rural regions. However, alarmingly rural retailers have taken on the provision of public services without getting any, or very little compensation for offering those services. Hence, the provision of public services has been based on the goodwill of rural retailers. This trend is not sustainable; therefore measures should be taken to ensure that rural retailers are compensated for the public services they provide.

5.1 Province of Lapland

The Province of Lapland, with approximately 92,660 km² accounts for about a quarter (25, 7%) of the total land area of Finland (Regional Council of Lapland, 2011). There are currently only 21 administrative municipalities in Lapland, which means that the municipalities are relatively large in terms of land area. Municipalities are presented in Figure 6. The biggest municipalities are Inari and Sodankylä with a land area of 15,052 km² and 11,696 km² respectively. However, the province of Lapland is rather sparsely populated with a total population of about 183,000 in 2011, or about 3% of that of Finland as a whole. Hence, the average population density in Lapland is only 1, 98 inhabitants per square kilometer, whereas the average for the whole of Finland is 17,77. (Statistics Finland 2012.)

Lapland has gone through economic changes along with the rest of the country. The shift from primary production into services has gradually grown since the 1960s. While in 1960 two thirds of the municipalities had more than 50% of their active labor force working in primary production, by the mid-1970s service sector had taken the place as the main occupation (Jussila et al. 1992). Today, service sector is by far the biggest employer in Lapland, in each of the 21 communes. Service sector accounts for the biggest proportion of the labor force in Muonio, with 86, 6% and in Inari, with 82,4%, whereas the smallest proportion is in Savukoski, with 54,5%. Savukoski is the only municipality in Lapland where primary production still employs a relatively large proportion of the inhabitants, namely 37, 8% (Regional Council of Lapland 2011).

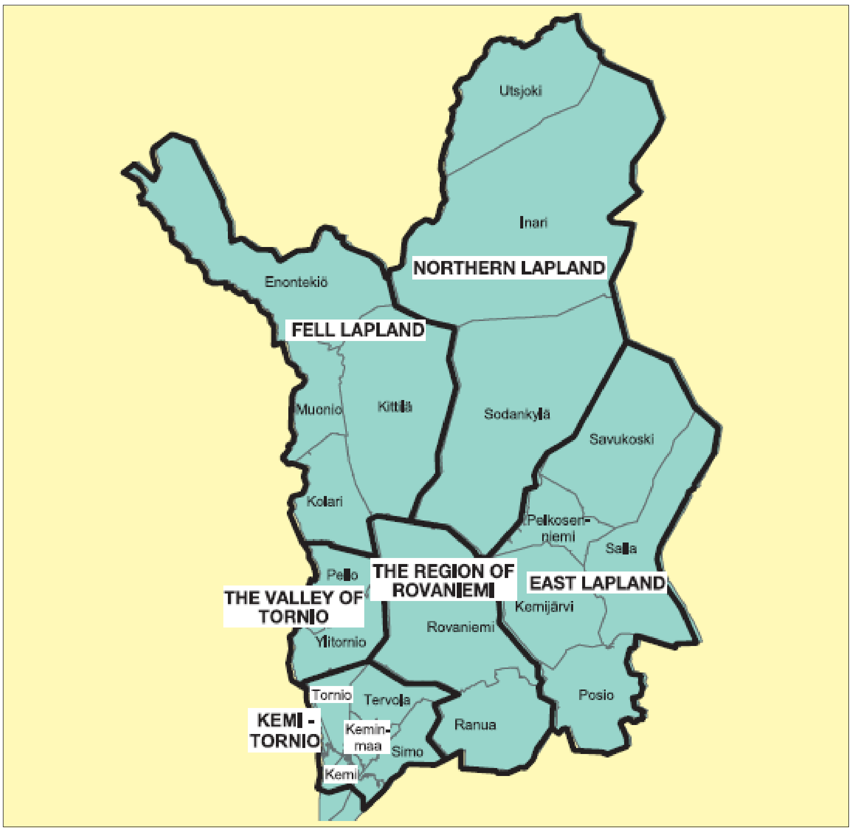

Figure 6. Municipalities in the Province of Lapland. (Regional Council of Lapland 2011)

According to the Regional Council of Lapland (2011), direct tourism income in Lapland was €595 million in 2009. The Interviewed retailers stated tourism, and its growth, as one of the most potential ways to develop their businesses and increase their turnover. Tourism was seen as an important factor not only to the retailers themselves, but to the well-being and growth of the area in general. Therefore, developing links with local tourism could provide channels for the needed growth of rural retail businesses.

5.2 Village grocery stores in Lapland

The amount of village grocery stores in Finland has decreased by about 30 stores per year in recent years. Currently the total amount of village grocery stores is about 385. The change over the past 5 years has been quite rapid as in 2008 there were still 507 village grocery stores and 530 in 2007. In Lapland the amount in 2008 was 43, and in 2011 the total amount went down to 31. (FGTA 2009-2010 2009; 2012-2013 2012b.) Strong urbanization has had rather significant effects on the amount of rural shops, as the amount of village stores in Lapland was still as high as 433 in the mid-1970s (Jussila et al. 1992).

Province		Qty.	Grocery sales (€ million)	Percentage
1	Uusimaa	27	15.8	8.9 %
2	Varsinais-Suomi	38	12.8	7.3 %
3	Satakunta	17	5.6	3.2 %
4	Kanta-Häme	11	3.6	2.0 %
5	Pirkanmaa	26	12.2	6.9 %
6	Päijät-Häme	9	2.3	1.3 %
7	Kymenlaakso	14	5.8	3.3 %
8	Etelä-Karjala (Southern Karelia)	13	7.5	4.2 %
9	Etelä-Savo	20	6.9	3.9 %
10	Pohjois-Savo	24	8.6	4.9 %
11	Pohjois-Karjala (Northern Karelia)	20	7.4	4.2 %
12	Keski-Suomi (Central Finland)	14	5.5	3.1 %
13	Etelä-Pohjanmaa (Southern Ostrobothnia)	22	7.7	4.3 %
14	Pohjanmaa (Ostrobothnia)	32	17.4	9.9 %
15	Keski-Pohjanmaa (Central Ostrobothnia)	9	6.4	3.6 %
16	Pohjois-Pohjanmaa (Northern Ostrobothnia)	27	19.3	10.9 %
17	Kainuu	13	4.3	2.4 %
18	Lappi (Lapland)	31	18.6	10.5 %
19	Ahvenanmaa (Åland islands)	18	9.1	5.2 %
Total		**385**	**176.8**	**100.0 %**

SOURCE: FGTA

Figure 7. Village Grocery Stores in 2011 (FGTA 2012-2013 2012b)

In terms of grocery sales, the grocery stores in Lapland amounted €27.2 million in 2008 and €18.6 million in 2011 (FGTA 2009-2010 2009; FGTA 2012-2012 2012b). However, as can be seen from the Figure 7, the percentage of the grocery sales in Lapland is the second highest of all the village grocery stores in Finland. Therefore, it would seem reasonable to assume that the importance of village stores to the survival and development of the Province of Lapland cannot be overlooked.

5.3 Retailer overview

As was discussed in the Introduction chapter, the selection of the rural retail shops for participating in the RRR project in Finland focused on grocery stores. However, some specialty stores were involved as well, which allowed a wider perspective into the retail trade. Altogether 12 retail shops were involved in the project, including three specialty stores, one service station together with a convenience store and eight grocery stores. All of the interviewed rural retailers however, had several other activities such as postal services, souvenirs, local specialties and lottery besides their lead activities. Products and services offered by the interviewed retailers are listed in the Table 1. It should be emphasized that the RRR project did not include just village stores, but other small retail businesses as well. However, the word ‘village store’ is used in this thesis to refer to all rural retail stores involved in the RRR project.

Dates of establishment varied from 1955 till 2010. Interesting feature was that one company possessed bookkeeping files from 1830 ongoing. Legal formats varied from sole trader till private limited companies. All but four of the rural businesses interviewed could be classified as micro-companies according to the EU definition as they employed less than 10 employees. The remaining four were small companies. In terms of turnover, interviewed rural retail stores varied from about €250,000 to €6.5 million.

Most common educational backgrounds in the trade sector in Finland are the business college degree, the university of applied sciences degree and the master's degree in business economics (FGTA 2012-2013 2012b). The findings from the retailer interviews seemed to concur with this statistic. In addition, several retailers had finished other sector specific diplomas such as the entrepreneur diplomas, manager diplomas and retailer diplomas.

Five of the twelve interviewed retail stores were independent, while the rest were part of a national chain, either Kesko or Tarmo. One of the independent grocery stores however, relied on a chain in terms of logistics. All of the interviewed retailers were active members in various organizations representing different interest groups of the retail trade, for example local entrepreneur organizations, regional boards of the chains and village committees.

All retail stores except one operate in very sparsely populated areas in different parts of the Finnish Lapland. Three of the retail shops however are situated near major tourism resorts and one of the retailers has opened another shop at a tourism resort. Tourism, and the yearly and seasonal fluctuations of the tourism, have however a significant impact on the survival and development of all the interviewed retail businesses. All of the interviewed retailers stated that shifts in tourism affect their business. Increases in tourism were also considered as one of the most important opportunities for the retail businesses. Common findings based on the retailer interviews are further discussed in the following Chapter 6.

An interesting fact was that interviewed retailers considered all products made in the Province of Lapland as local products. Hence, local products are not just the ones that are made in the village or municipality, but Lapland was viewed as one united entity. Among the most common local products were different berry products, baked goods such as bread and pastries, fish and meat products as well as different crafts and souvenirs. Local producers have maintained that it is very difficult to get their products into hypermarkets since they are not always capable of producing such big quantities of their products as big chains demand. Therefore, rural retailers have an important role in offering local products. It widens the cooperation activities in the rural regions, but also allows local producers to get their products in stores as well. In addition, local people benefit from the wider selection of products and are able to support local producers by buying their products and retailers by using their services.

In addition to the product offerings ranging from food to hardware, from household items to machinery not to mention souvenirs and crafts rural retail stores can also offer a wide range of services. Post Office and Veikkaus services are already very popular among the rural retail stores. However representing the services of Alko together with operating as service points of a pharmacy could very well be added into the service range if regulations would allow it. The retailers, who do offer pharmacy products, had no problems with their local pharmacies to acquire the permission for the medicine cabinet. However, some retailers commented that they had applied for the permission, but did not get it from their local pharmacies due to supervision issues. Retailers did not see any proper justifications for such a decision as the regulations are very strict in Finland and clearly state where and how pharmacy products should be restored and sold in retail stores. Pharmacy products are kept in a locked cabinet to which only the retailer has access. A strong lobbying on freeing the sales of pharmacy products and mild-alcoholic beverages into retail stores is ongoing. Present pharmacy cabinets would be changed into service points of a pharmacy.

Table 1. Services and products offered by retailers

Services	Shops
Accommodation services	2
Café	5
Car accessories	3
Clothing and accessories*	3
Crafts supplies	3
Fishing licenses and equipment	3
Fuel	6
Gifts and souvenirs*	8
Groceries*	9
Hardware**	3
Home delivery	3
Home textiles	3
Internet connection for customers	1
Jewerly*	1
Order service of Alko	2
Perfumeries	3
Pharmacy services***	2
Post Office services*	4
Restaurant	3
Shoes*	3

* Core business (clothing (2), groceries (7,) shoes (2), Post Office (1), Jewelry (1)

** Order service only (1)

*** Medicine cabinet

In addition to aforementioned services, rural retailers could also take care of the daily meal services of nearby schools and retirement homes as well as organize activities together with local nature and rural tourism companies. Furthermore, rural retailers could provide beauty and health-related services. Thus, the village grocery store could be a multifunctional service center as well as the social hub of the village.

6 COMMON THEMES

Based on the retailer interviews conducted, a list of the most frequent support needs was gathered by using the content analysis method in order to map out the common themes. The common themes are discussed in this chapter. In addition, examples of the practical measures are pointed out in order to demonstrate how these themes relate to the support mechanisms designed for the rural retailers.

The common themes were divided into training, financial support as well as consultation and networking. Regardless of the region specific characteristics, the same common themes occurred in all RRR project partner countries, although with slightly different emphases on each theme. For example, training provision was highly emphasized in Ireland, whereas consultation and networking needs were the main themes in Finland. In addition, no financial support was available for rural retailers in the Faroe Islands, whereas rural retailers in Scotland had access to direct financial support.

An interesting feature was that when it came to external factors, such as legislation and local policies, several retailers stated that they had no real possibilities to affect those issues. Therefore, there is a need for retailers to have an input on local and national trade policies. Furthermore, transportation and specifically the frequency of supplies was a weakness in several regions, for example in Finland and Iceland, but not an issue in Northern Ireland and Ireland. In addition, a decrease in population and changing population demographics were significant factors for Finland and Iceland.

It became evident through the retailer interviews that each retailer was looking for direct benefits. For example, one retailer commented that if she starts a training program that lasts for two to three years, she would get what she needs after those two to three years, but she needed something tangible right then. Similar comments also from other retailers indicated that retailers needed to see the direct benefits to their businesses in order to commit to a longer term activities.

6.1 Training

Adding new services and products into the range of rural retail stores is not as simple as just ordering new products or setting up new services. Adding new products and services requires also different and sometimes altogether new skills, which in turn requires training. Hence, the more services and products offered, the more training is needed. In addition, changes in the markets and regulations require training as well. The common training needs based on the retailer interviews included marketing, IT skills, e-Trade, business planning and development, finance as well as merchandising. In terms of merchandising, especially effective shop and product layout training were needed. In addition, in Co. Donegal, Ireland for example, stock control and customer service training were required. Furthermore, many of the formal training courses available to retailers were college based and aimed at young people looking to develop a career in the retail sector. Several of these courses were not relevant to rural retailers or their staff.

All of the retailers interviewed in Finland commented that even if they were interested in participating in training sessions, the lack of time and other resources made it impossible for them to participate in the offered training. For example majority of the training offered by chains was then and still is held in the Southern Finland. Due to long distances, participating in just a few hours of training would have required taking at least two or three days off from work. If retailers wanted to participate in training session, they would have needed to find a replacement to keep the shop open or if finding a replacement was not possible, they would have been forced to keep the store closed for those days. Both alternatives naturally would have generated additional expenses, in addition to the travel expenses. Interestingly, participating in online training sessions was considered a possibility as basic ICT skills were adequate among the Finnish retailers. This is probably due to the fact that the retail sector is highly computerized in Finland. Ordering of products, maintaining stock together with self-monitoring regulations and other practicalities of running a shop are all handled through computer programs in Finland. However, expertise in areas such as web development and Internet selling were limited. Moreover, those retailers who were running the shop alone and did not have other staff, found it difficult to participate in training as they did not have anyone to keep the store open while they were at a training session, unless the training was offered out of store opening hours. Hence, the provision of training must consider timing, multitude of ways such as on-site and off-site, online and in-class as well as the variety of subjects.

Findings from the retailer interviews in all participating countries also indicated that retailers were not primarily motivated by obtaining certificates or qualifications. They were essentially seeking practical and relevant knowledge that could be applied directly to their business situation and would result in greater efficiencies, diversification as well as improved sustainability.

6.2 Financial support

A lack of financial resources can create barriers that retailers are not able to overcome. Without the certainty of a return on investment, retailers were reluctant to spend any money. In two cases retailers commented that they simply do not have the money to spend on new approaches without any financial support. Based on the retailer interviews, those village stores that did not have any debt seemed to have good abilities to respond to the changed requirements of the markets and the customers. However, all interviewed retailers were looking for new financing channels and were very reluctant to take on loans. As the average age of the retail stores was quite high, fixing the premises in general were among the most common improvement needs. Updating and renewing equipment such as cashier systems, refrigerating appliances and display counters and shelves were as well commonly needed.

Financial support needs were closely linked with the consultation needs as retailers wanted to get information on different financing possibilities. The same applied to networking; different cooperation possibilities were sought in order to find new avenues for financial support or accumulate considerable savings. Two retailers started joint purchases on children’s clothing as neither one of them was able to sell as many children’s clothing as the minimum order from the suppliers would have required them to do. This cooperation model enabled both retailers to offer a new line of products, without having to take a financial risk with an oversized stock. These retailers had their stores in different parts of Lapland; therefore they were not each other’s direct competitors.

6.3 Consultation

The lack of time seemed to be the most recurring theme among all interviewed retailers not only in Finland, but in all of the RRR project countries as well. The biggest problem was not the lack of information available. Instead, the biggest problem was not having the time to search for the needed information. Retailers pointed out that the information available was spread around to so many different organizations and sources, which made it very time consuming to find the correct information. Another issue retailers emphasized was the lack of rural retail specific information. In several cases, rural retailers maintained that the available training, financial supports, seminars and other support mechanisms did not concern them. Instead, the support mechanisms were for other type of businesses, mostly for large businesses.

In addition, increased visibility needs were emphasized in all retailer interviews. The focus was on finding new, improved marketing channels and in some cases forming a marketing strategy from the scratch. One retailer commented that although she received the marketing support from the chain in the form of regional marketing efforts, it was more about informing customers about the products on sale and not about marketing her business to potential customers. She also emphasized that she did not even know where to start with her marketing strategy; what venues to use, when to market and to whom.

Most common consultation needs included the gathering of data on specific subjects, for example on financing methods, suppliers, training provision, trade fairs and potential new services and/or products as well as new sales channels. Furthermore, retailers were very interested in getting advice on practical aspects of adding a new service or a product line into their selection. For example, there was interest in finding out what kind of resources adding an online store would require and how to find suitable suppliers for new products. In addition, some retailers were keen on conducting surveys in their catchments areas, as well as among tourists, in order to find out what kind of products and services they wish to have in the area. As was stated before, two retailers started joint purchases on children’s clothing as a result of the consultation provided by the RRR project. Both retailers had pointed out in the interviews that they would like to offer children’s clothing, but the size of the minimum order prevented it. I introduced the idea of joint purchases to both retailers and after discussions the decision to start the joint purchases was made.

However, increasing the amount of product lines is not the only solution. For example, in Northern Ireland one retailer gave up products that generated the biggest losses and increased the variety of the products that accumulated the most profits. Hence, increasing the variety of goods within a product line instead of increasing the amount of separate product lines.

6.4 Networking

Retailers that were keen on participating in training, seminars and other events emphasized networking as one of the most significant reasons for participating in different events. Retailers stated that meeting other retailers and sharing experiences gave them confidence in what they were doing, brought new ideas on how to solve problems and created opportunities for cooperation. In addition, several retailers pointed out that they had a feeling of getting immediate support and ideas that they can utilize right away through networking, whereas through formal training, it takes time before that new knowledge can be put into practice. Hence, networking was seen as bringing an instant benefit directly to the retailers. One example of the benefits of networking is a cooperation started between two retailers who participated in a scenario planning workshop arranged by the RRR project in Finland. These retailers started buying each other’s products, creating new product packages for their customers by combining children’s clothing and toys with jewelry store products.

As was previously pointed out, tourism has a significant impact on the survival of the rural retail businesses. Interestingly enough, there is also other side to the coin. Especially grocery store owners maintained that tourists tend to bring along everything they need during their stay, hence not doing any, or very little shopping in the area. This seemed to be due to the common misconception that rural retail stores have a very limited selection and considerably higher prices. Through common marketing efforts of retailers and other service providers in the area, this behavior might be possible to change.

One retailer pointed out specifically the problems with the road sign regulations. The Finnish Transport Agency is responsible for all traffic signs and the Centre for Economic Development, Transport and the Environment is responsible for the permits regarding those signs. Advertisement signs along the roads are forbidden today with a few exceptions such as meetings and elections and other temporary advertisements. The retailer in question had applied for a special permission to post advertisement signs for his shop. The shop's location is rather challenging as it is situated along a winding, hilly road, making it difficult to notice the shop beforehand. In addition, 90% of the sales of the shop come from the passers-by; hence it is extremely important for the survival of the shop that tourists and other passers-by are aware of the shop well in time to be able to make a decision of stopping at the shop. Therefore, it would seem justified that a special permission would be granted for the shop. However, the shop in question had not been granted a special permission. This case is just one example of the complex challenges rural retailers face when regulations are national and do not consider regional characteristics. Hence, it is important that different interest groups have a venue to express their special needs. Furthermore, in order for the issues to be discussed at the suitable level, representatives from different authorities are needed as well.

7 SUPPORT ORGANIZATIONS

The second stage of the thesis work was to map out the existing support mechanisms available for rural retailers. It should be noted that only those support mechanisms that were specifically required by the interviewed rural retailers are discussed in this chapter. Hence, the list of available support presented in this chapter is not exhaustive. In addition to presenting the support organization, the suitability of the support mechanisms these organizations offer for rural retailers is also discussed.

As the retailer interviews revealed, special characteristics of rural retailing were not taken into consideration when decisions on wider guidelines and regulations were made. Different lobbying organizations in the trade industry promote the trade sector in general, which is naturally very important for the whole trade sector. However, rural retailers seemed to need support which was developed with their special needs in mind. Furthermore, the trade-specific industrial policies are dispersed to several ministries which make it increasingly difficult to take into consideration combined effects of the legislation on different types and sizes of trade businesses.

Regulation of the trade in Finland is the strictest of the OECD countries (FGTA 2012-2013 2012b). The Federation of Finnish Commerce and the Finnish Grocery Trade Association (FGTA) are both lobbying for the deregulation of the trade. However, different lobbying organizations seem to disagree on some of the details of deregulation needs. While the Federation of Finnish Commerce and the FGTA both are lobbying for the freeing of Sunday opening hours, the Finnish Association of Specialized Commerce has published a report together with the Federation of Finnish Enterprises arguing that the Sunday opening hours has weakened the profitability of entrepreneur-led stores (Finnish Association of Specialized Commerce 2012). Differences in this kind of issues show clearly how complex the trade sector is and how important it is to consider the special characteristics of different types, sizes and locations of retail stores. However, all of the aforementioned lobbying organizations of the trade sector seem to agree on the need to deregulate trade in Finland, in order to ensure healthy competition and improve the profitability of all retail stores.

7.1 Lobbying Organizations

The Finnish society is characterized by active organizational activities. Different trade associations work to improve the operational conditions of the trade as a whole. However, little attention is paid to the special characteristics of rural retailing. Therefore, rural retailers find it important that they are represented in the organizations at different levels in order to get their voices heard and ultimately gain attention to their specific needs as well. Deregulation is needed in order to change village stores into multifunctional service centers as current regulations pose significant barriers.

7.1.1 The Federation of Finnish Commerce

The Federation of Finnish Commerce is a nationwide lobbying organization whose mission is to promote Finnish commerce. The federation works to improve the operating conditions of businesses active in wholesale and retail trade, to stimulate co-operation within the sector as well as to enhance the commercial and employer interests of its members. The Federation of Finnish Commerce plays an important role in the labor market negotiating collective labor agreements, resolving labor disputes and serving its members in employment issues. In addition, the federation maintains a databank on Finnish commerce. (Federation of Finnish Commerce 2012a.)

The Federation of Finnish Commerce consists currently of 29 member and partner associations and about 2,200 companies. The member companies represent the whole trade industry from grocery trade, specialty trade, wholesales, technical trade, car sales and pharmacies to alcoholic beverages. (Federation of Finnish Commerce 2012a.)

The Federation of Finnish Commerce is an important actor for rural retailers, although it is not necessarily seen by the rural retailers as a direct support provider for the day-to-day operations of a rural store. Furthermore, the work the Federation of Finnish Commerce does on policy level, as well as a training provider, is vital for the retail sector. However, it should be pointed out that the training offered by the Federation of Finnish Commerce is mostly held in the Helsinki metropolitan area. Hence, the rural retailers in Northern Finland are not too keen on participating in the training due to long distances and the extra expenses it accumulates. Improved cooperation schemes are therefore needed in order to give access to these retail specific training possibilities to retailers in Northern Finland as well.

7.1.2 The Finnish Grocery Trade Association

The Finnish Grocery Trade Association (FGTA) consists of associations and enterprises working in the grocery trade sector. Through business policy initiatives, supply chain development, co-operation projects and services, the association aims to improve and develop the overall operating conditions of the grocery trade in general and those of its members in particular. (FGTA 2012a.)

Together with the Sunday opening hours, the FGTA has brought up the sale of mild wines and non-prescription medicine in grocery stores. If these deregulation measures come true in the future, it brings rural retailers the needed additional sales. (FGTA 2012b.)

In addition, the FGTA has a working group for the local store services. The local store services group ensures the operating conditions of small stores in regressive population centers, suburbs and sparsely populated areas. In addition, the local store services group takes into consideration the effects of the municipal reform by estimating how much purchasing power is needed for maintaining local services and how to secure it. (FGTA 2012a.) Therefore, the FGTA considers retail stores of different sizes in its work and is a vital actor for rural retailers specifically. Cooperation schemes with different projects bring the work of the FGTA closer to the retailers and their day-to-day activities.

7.2 The Finnish Leader Programme

The Finnish Leader Programme is partially funded by the European Agricultural Fund for Rural Development with the aim to develop rural regions. The Leader Programme promotes the financial, social and cultural prosperity of the rural regions by financing small-scale development and investment projects. The beneficiaries of the financing are local root-level actors and groups. The Leader Programme supports for example small local enterprises, village communities as well as training and activities of local people. (Ministry of Agriculture and Forest 2007.)

The Leader Programme is divided into Leader Local Action Groups (LAGs). The Finnish Leader Local Action Groups are registered non-governmental associations. There are 56 LAGs in Finland, covering the whole country. Four of the Local Action Groups in Finland operate in Lapland. These LAGs presented in Figure 8 are: Peräpohjolan kehitys, Rural Development Association (No. 52), Outokaira Tuottamhan

(No. 53), Multitude of Village Culture in the Land of Mountain (No. 53) and the Northernmost Lapland Leader (No. 55). (Rural.fi 2012.)

Any local resident may take part in their local group's activities by running or participating in a project, or by becoming a member of the LAG. The activities of the LAGs are steered by their boards. Boards must have tripartite structures, with one third of board members being municipal officials and appointees, one third being representatives of local associations, and one third being individual rural residents and enterprises. Therefore, all levels of the municipalities are represented in the activities. (Rural.fi 2012.)

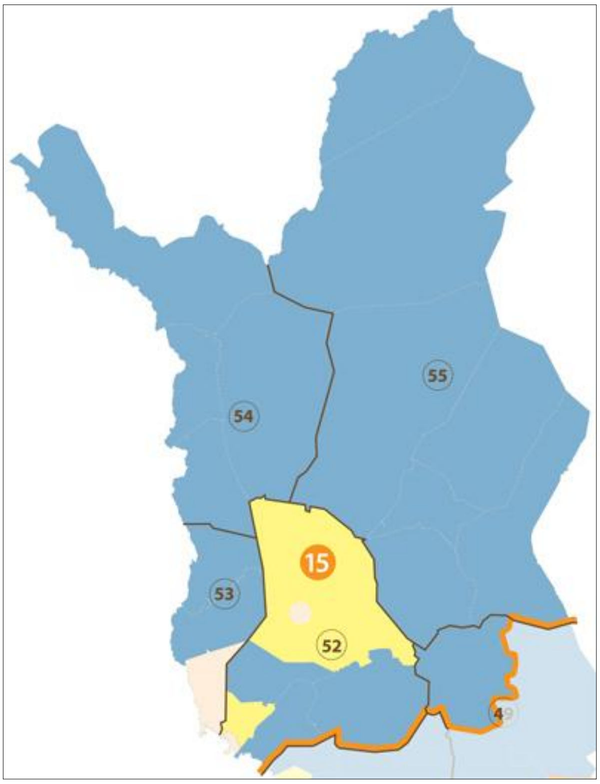

Figure 8. LAGs in Lapland. (Rural.fi 2012)

Local authorities are the representatives from the municipality, whereas the community is represented by the organizations, associations and large enterprises. The local people are represented in the LAGs by individual people and small entrepreneurs. Hence, the LAGs offer residents a channel for influencing their own living conditions and developing rural areas according to the specific needs of each area. As the municipalities are responsible for 20% of the public funding of the LAG work, it increases the commitment and interest of the municipalities in the work. (Rural.fi 2012.)

While different lobbying organizations promote and develop the trade industry as a whole, the LAGs offer region specific support for all rural enterprises, not only those which operate in the trade industry. However, the support from the LAGs concentrates on the rural regions specifically. Rural retailers can apply for financial support for example in the form of business, start-up and development subsidies. Financial support is always case-specific depending on the focus of each LAG region. (Rural.fi 2012.)

The interviewed retailers were not familiar with the Leader programme, even though their activities are targeted to rural regions specifically. In order for the retailers to find these support possibilities, efficiency in marketing measures should be increased by the LAGs and also by consultants and local authorities.

7.3 The Lapland Centre for Economic Development, Transport and the Environment

The Centres for Economic Development, Transport and the Environment promote the development of a good living environment and community structure while supporting citizens’ well-being and the competitiveness of trade and industry in their respective regions. The Centres for Economic Development, Transport and the Environment have three main areas of responsibility: business and industry, the labor force, competence and cultural activities; transport and infrastructure as well as the environment and natural resources. These activities include many different advisory, financing, and development services for businesses as well as employment-based aid and labor market training. The Lapland Centre for Economic Development, Transport and the Environment is one of the 15 regional centers in Finland. (The Lapland Centre for Economic Development, Transport and the Environment 2012.)

Direct financial support possibilities are very limited for small retail businesses specifically. The most widely known and used direct financial support by the interviewed retailers in Finland was the investment aid for village grocery stores. Village grocery store investment aid is administered by the Ministry of Employment and the Economy and applied from the regional Centre for Economic Development, Transport and the Environment. However, investment aid is meant for village grocery stores that are located in sparsely populated area, and whose store area is less than 400 m² and annual sales less than €2 million (FGTA 2012-2013 2012). Therefore, village grocery stores that exceed the area of 400 m² are not eligible for the investment aid. Typically, the aid has been used to renew the stores' refrigerating appliances or petrol distribution. The aid can cover up to 40% of the investment costs. (FGTA 2012-2013 2012.)

The Lapland Centre for Economic Development, Transport and the Environment also arranges training for SMEs (The Lapland Centre for Economic Development, Transport and the Environment 2012). However, the interviewed retailers commented that majority of the available training does not concern retail businesses, but businesses in general and therefore are not necessarily suitable for rural retailers specifically.

In addition to training and financing, the Lapland Centre for Economic Development, Transport and the Environment offers consultation services for SMEs. These consultation services can be related to for example financing and business administration, business development, product and service idea development or IT development, to name a few. These consultation services are provided by trained consultants who are invited to tender for the consultation services by the Centre for Economic Development, Transport and the Environment. (The Lapland Centre for Economic Development, Transport and the Environment 2012.)

Different services provided by the Lapland Centre for Economic Development, Transportation and the Environment were well known and used by the interviewed retailers. However, the amount of paperwork required to apply for the investment aid for example, limited the interest of retailers. One retailer noted that she had felt a bit desperate after seeing the pile of documents on her desk that she needed to fill in to apply for the investment aid. In addition, retailers hoped to get help with filling in the forms. Hence, consultation is not needed only on choosing the suitable services, but on the application procedures as well. In addition, there should be more training provision targeted to small retail businesses.

7.4 Entrepreneur organizations

According to the Finnish Federation of Enterprises (2012), the most common reason for being a member of the entrepreneur organizations are lobbying and counseling services as well as a desire to be a part of the entrepreneur community and meet other entrepreneurs. The local entrepreneur associations play an important role in economic policies at municipal and district levels, whereas regional organizations have considerable influence in their own regions and provinces. The Federation of Finnish Enterprises promotes the interests of enterprises with the government, ministries, parliament, and major interest organizations, nationally and within the European Union. (Finnish Federation of Enterprises 2012.) In the Province of Lapland, there are two regional entrepreneur organizations: the Enterprises in Lapland and the Enterprises in Western Lapland. The Enterprises in Lapland consists of 11 local entrepreneur associations with about 2,000 member companies (Enterprises in Lapland 2012) and the Enterprises in Western Lapland include 10 local entrepreneur associations with approximately 1,300 member companies (Enterprises in Western Lapland 2012).

Entrepreneur organizations both at regional and local level are important actors in the development of retail sector. Besides being active at the policy level, entrepreneur organizations offer training, seminars and different networking events in cooperation with other interest groups. Majority of the interviewed retailers were active members in various organizations representing different interest groups of the retail sector, including local entrepreneur organizations. In addition, retailers pointed out that different events organized by the entrepreneur organizations gave them an opportunity to get to know other entrepreneurs.

8 RRR MODEL

This chapter presents The RRR Model with separate sub-chapters for each section of the model. The introduction of the Rural Retail Partnership is followed by the descriptions of the support activities. In addition, each support activity is justified by describing how the activities could support rural retailers.

Transnational cooperation in creating and implementing the RRR model in the RRR project ensured the implementation of the model transnationally. In other words, the same model could be used in each of the RRR project partner countries. However, in order to ensure the continuity of the important work done during the RRR project, it was necessary to specify the utilization of the RRR model according to the national characteristics.

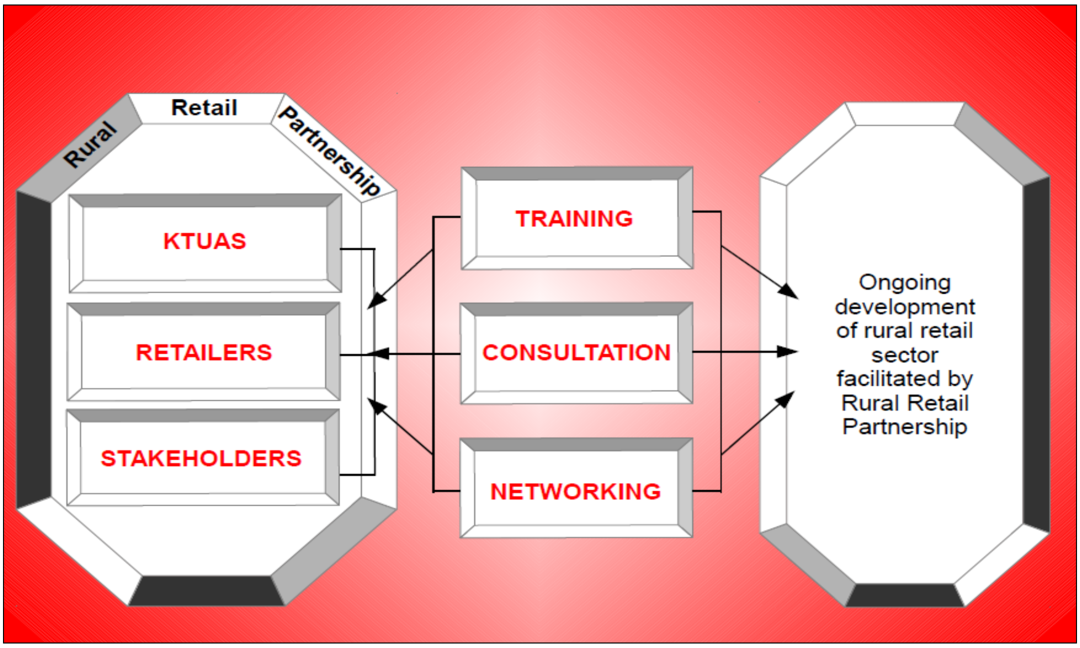

Figure 9. RRR Model

The core of the model developed in the RRR project was the tailor-made service including training, networking and consultation for the rural retailers. In this thesis however the RRR Model is two-fold, consisting of the tailor-made service as well as the Rural Retail Partnership. Figure 9 above depicts the RRR model. The RRR model is further explained in the following sub-chapters.

Strategic Retail Centers (SRC) were first supposed to be developed in the RRR project as platforms for the development of rural retail environment. As opposed to Round Tables (RT) which were informal groups, SRCs were meant to be formal platforms. Round Tables consisted of representatives from the key actors in each partner region such as retail organizations, local governments and educational institution. The focus of the SRCs was the strategic development of the rural retail sector together with offering a support framework for the rural retailers (Retail in Rural Regions 2009c). Later in the RRR project the name of the SRC was changed into Rural Retail Partnership as it was seen by the project partners to better describe the platform and its cooperative nature, whereas the use of the word ‘center’ might have implied to a physical place. However, Rural Retail Partnership was not formed in Finland during the RRR project, yet based on the findings of this thesis, establishing a Rural Retail Partnership would be beneficiary and is therefore included in the RRR Model presented in this thesis. Furthermore, in this work, Rural Retail Partnership is seen as an informal entity, formed by the retailers, Kemi-Tornio University of Applied Sciences and other key actors in the region such as local authorities, retail organizations, trade promoters, business development companies, suppliers, financiers and other local community organizations. Its function is to prevent overlapping activities and create a mutual venue for the key actors in rural retailing and other supporting sectors to enable the ongoing development of the rural retailing. The ultimate goal of the RRR Model is to develop the rural regions in general.

8.1 Rural Retail Partnership

The function of the Rural Retail Partnership is to bring together different actors that have an interest in the retail business. With so many different interest groups working at different levels, their activities are bound to overlap, without being aware of each other's activities. In addition, lobbying organizations, authorities, chains, not to mention individual retailers tend to have their own interests in mind, which makes it increasingly difficult to develop the regional conditions of the retail sector. Furthermore, none of the actors have the ability to develop rural retailing alone. In the RRR Model, the development of the rural retail sector is facilitated by the Rural Retail Partnership, which consists of Kemi-Tornio University of Applied Sciences (KTUAS), rural retail businesses and other stakeholders e.g. chains, trade promoters, entrepreneur organizations, business development companies, communities, local governments, suppliers, customers, financiers, training providers etc. It is important that different departments of the KTUAS are involved, together with staff and students. During the RRR project, staff members and students from the administration services, Research & Development & Innovations department as well as Business and Culture and Technical units were involved. A synthesis of expertise from different fields was needed in order to provide efficient support for rural retailers. Therefore it is important that actors from different fields are represented also in the future.

Different activities of the RRR Model can be combined among the actors. Retailers are not just static receivers of support activities, but active members of the Rural Retail Partnership. Same applies to other actors of the Rural Retail Partnership. KTUAS is not just the training provider. Instead, KTUAS can receive training from the chains for example or even from the retailers. Retailers can act as part-time lecturers for the students on different subjects on retail studies for example. Chains and retailers can have access to the latest theories on business strategies from the KTUAS. KTUAS can consult other actors on different subjects, in addition to receiving consultation from the other actors of the Rural Retail Partnership. Furthermore, different stakeholders can initiate networking events and venues. Trade promoters for example can arrange a matchmaking event for retailers and local producers. Hence, the RRR Model is a synthesis of support activities, i.e. training, consulting and networking, as well as a synthesis of Rural Retail Partnership actors, i.e. KTUAS, rural retailers and different stakeholders. Each actor of the Rural Retail Partnership can be a beneficiary as well as a provider of support activities. Through the different support activities, an ongoing development of rural retail sector is enabled.

8.2 Training

Training programs are tailor-made for rural retailers based on the need analysis done for each retailer. After mapping out the current training provision, retailers are either guided to contact suitable training providers or when there isn’t appropriate training available, a tailor-made training will be organized by the Kemi-Tornio University of Applied Sciences together with suitable cooperation partners.

Training programs are designed to fill in the gaps between offered and needed training for rural retailers in order to improve the competence levels of rural retailers and their staff. A synthesis of different training provision methods such as on-site and off-site, face-to-face and online, short-term and long-term, ensure that the offered training is effective and efficient. A synthesis of training provision methods addresses the challenge of distance and time factors that often prevent rural retailers from participating in training.

8.3 Consultation

Consultation service is part of the RRR Model which can be offered separately or as part of the extended development plan including training and/or networking for rural retailers. Its aim is to support the development, growth and survival of rural retailers. One of the main challenges rural retailers face is the lack of time for other tasks outside the day-to-day running of the business. Consultation services help rural retailers by finding and combining the needed information and giving recommendations based on the specific needs of the retailers. Consultation can include for example mentoring, networking services, constructing development plans and information retrieval. Networking services can be provided separately as well. One of the main tasks in consultation in the RRR project has been finding information and/or advising retailers on a specific topic, for example on stock control solutions, pricing, reservation systems, funding possibilities, web shop solutions, marketing mix, planning of new services and products and so on. Consultation can be one-to-one mentoring as well. Consultation needs are based on the findings of the present situation of the retail business in question. Consultation services interlink with other services of the RRR Model.

In Northern Ireland, consultation services have a different kind of approach from the other RRR project partners. Consultation services are provided by the University of Ulster whereby retailers will have access to a project team of students, who will visit retailers for a given period to advise them on a specific area of business development. Student teams will be supervised by lecturers of the University of Ulster.

8.4 Networking

Networking service forms a link with other service providers, such as retailers, training and consultation providers, tourism and regional actors. Networking services help rural retailers in finding suitable cooperation models and partners and by organizing events for retailers to meet each other. Potential partners can be for example suppliers, providers of other services that interlink with retailers business such as tourism industry as well as other retailers. Based on the surveys, retailers consider sharing of experiences and knowledge with other retailers very important and beneficial. Networking services interlink with consultation and training services, but can be offered separately as well. In addition, networking services can be offered in many levels. These services can be as simple as arranging a networking event or the service can be a natural outcome of a training session or a seminar. In addition, networking services can aim at finding a suitable partner for example for joint purchases or for other cooperation like suppliers of local food or crafts.

Networking can also aim at bringing together different actors locally, regionally, nationally or even internationally. International network of retailers and consultants developed in the RRR project is available for rural retailers through the RRR project personnel of the Kemi-Tornio University of Applied Sciences. Networking services are especially important for start-up and early start-up retailers who lack the wide networks with suppliers for example.

9 CONCLUSIONS

This thesis has provided a review of the common challenges rural retailers face in Lapland, Finland, together with the existing support mechanisms. In addition, practical measures have been presented to utilize the RRR model in order to support rural retailing in Lapland, Finland. The support needs of rural retailers in Lapland, Finland were identified as training, consultation and networking as well as financial support needs. Despite the fact that there are several instances involved in the development of the retail sector, the support offered was not suitable for rural retailers specifically. As the existing support mechanisms did not meet the requirements of rural retailers in Lapland, Finland, the RRR model was presented as a possible solution for filling in the gap between the needed and existing support.

While it is difficult to generalize the findings of this thesis to suit all retailers in Finland, the empirical evidence presented in this thesis takes into account the distinctive nature of retailing in Lapland, Finland. It became evident from the findings of the research that the rural retail sector demands increased focus and public support throughout the RRR project partner regions. In addition, the involvement of relevant stakeholders is required in order to enable and ensure the continuous development of the rural retail sector.

The significance of rural retailing to the habitability and vitality of rural regions is substantial. How the operational conditions of small rural retail businesses are developed and the purchasing power of the region supported will inevitably affect the development of the grocery trade in the following years. The importance of rural retail stores increases as the provision of services diminishes. In addition, the change in the age structure of inhabitants increases the need for local services. Rural retail services can be supported by adding new products and services in to the retail stores’ selection, but changes in the regulations are needed before such actions can be taken. Therefore, it is vital that various organizations improve the operating possibilities of retail companies and trade industry as a whole by creating a healthy atmosphere for discussions and channels for joint ventures.

Municipal sector change will affect the network of local services; therefore an active local service policy is needed in order to secure important services for the local people. In addition to policy changes, deregulation of trade is required before rural retailers can add new services and products into their range. New services and products require also different skills from the retailers; hence retailers need training, specifically tailor-made for their purposes. Circumstances differ from region to region. In some villages there are no other service providers, whereas some other villages have a wide, active service provision. Through networking it is possible to develop cooperation schemes to secure sufficient services and products in the regions where it would be otherwise impossible to provide all necessary services. With a massive amount of information and distribution of decision-making into several instances, finding the proper channels might sometimes feel overwhelming for the retailers. Functional consultation network is therefore needed in order to help retailers find the suitable information and provide advice based on their needs such as new products, services and legislation, training provision, events, joint purchases, suitable partners and so on. Naturally, none of this would be possible without the active rural retailers. Their motivation and active role in the development of the rural regions is essential.

The RRR Model is based on the support activities of training, consultation and networking, facilitated by the Rural Retail Partnership. Rural Retail Partnership consists of Kemi-Tornio University of Applied Sciences, rural retailers and other stakeholders such as chains, trade promoters, business development companies, communities, entrepreneur organizations, authorities, suppliers, customers and financiers. Each actor of the Rural Retail Partnership can be a provider as well as a beneficiary of each support activity. Utilizing the RRR Model enables the development of rural retailing, basic services are available and rural regions stay inhabited. Training has a key part in providing retailers with the required knowledge and skills, together with the confidence they need. In addition, consultation and networking have proved to be very important in order to enable retailers to develop their businesses. With the close cooperation between different actors in the rural regions as the RRR Model suggests, it is possible to keep the lights on in our village stores.

9.1 Recommendations

The groundwork done in the RRR project offers opportunities for future cooperation between retailing and for example tourism, craftsmanship and local food industry. In addition, expanding the traditional business models towards for example e-business and looking into other innovative ways of doing business could bring needed growth possibilities for rural retailers. A project focusing on cooperation schemes between retailers and local producers, whether they are food suppliers, craftsmen or any other suppliers, would be a natural continuation of the RRR project and an excellent topic for further research. In addition, I would find it interesting to conduct a study on the differences in strategic choices between retails stores in the cities and rural communities.

Forming a Center for Retail Studies at the Kemi-Tornio University of Applied Sciences should also be considered. There is currently considerable pressure of reducing the number of the universities of applied sciences in Finland. As it looks at the moment, the two Universities of Applied Sciences in the Province of Lapland, Kemi-Tornio and Rovaniemi, will be merged and they will form a new Lapland University of Applied Sciences. By specializing in Retail Studies, Kemi-Tornio University of Applied Sciences could strengthen its position in the new University of Applied Sciences. As was emphasized in the research done in the RRR project, there is a strong link between retail and tourism. With the tourism studies in Rovaniemi, and the retail studies in Kemi-Tornio, a clear segmentation will clarify the operations of each campus as well as form a strong actor in the network of Universities of Applied Sciences in Finland. However, a large number of issues would have to be resolved before an initiative could be launched, including finding answers to the questions of how it would be funded, how it would be staffed, how it would be included in the curricula and what services it would provide among other things. Nonetheless, the Center for Retail Studies would also ensure an efficient and effective utilization of the RRR Model as there would be a clear unit responsible for the Rural Retail Partnership.

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APPENDIX/APPENDICES

Appendix 1 1(2)

RRR PROJECT PARTNERS

RRR Project Partners & Associated Partners	
Lead Partner:	
Title of institution:	Kemi-Tornio University of Applied Sciences
Legal status of the organization:	Public Higher Education Institute owned by Municipalities of Western Lapland
Location:	Kemi
Country:	Finland
Partner 2:	
Title of institution:	Icelandic Centre for Retail Studies
Legal status of the organization:	Research organization
Location:	Borgarnes
Country:	Iceland
Partner 3:	
Title of institution:	Donegal County Council, Community, Culture & Enterprise Division
Legal status of the organization:	Local government authority
Location:	Donegal Town co. Donegal
Country:	Republic of Ireland
Partner 4:	
Title of institution:	Research Center for Social Development
Legal status of the organization:	Research center formally attached to the University of the Faroese
Location:	Vágur
Country:	Faroe Islands
Partner 5:	
Title of institution:	Community Retailing Network
Legal status of the organization:	Company Limited by Guarantee
Location:	Acharacle
Country:	Scotland
Partner 6:	
Title of institution:	University of Ulster
Legal status of the organization:	University
Location:	Coleraine
Country:	Northern Ireland

Appendix 1 2(2)

Associated partner:	
Title of institution:	Landsbygdsservice
Location:	Stockholm
Country:	Sweden
Associated partner:	
Title of institution:	Merkur Programme
Location:	Forde
Country:	Norway
Associated partner:	
Title of institution:	Institute of Regional Development in Iceland
Location:	
Associated partner:	
Title of institution:	University of Greenland
Location:	Nuuk
Country:	Greenland

Appendix 2 1(6)

RETAILER INTERVIEW FORM

1 (6)

(confidential in terms of business secrets)

Basic information of the shop

Name of Business	
Address	
No of employees	
Size of Premises	m^2
Established in year	
Ownership	Co-operative · Franchising · Private · Ltd Part of a chain
Turnover	2007 2008
Contact person	Most appropriate time to contact:
Telephone number(s)	
e-mail	
Main function	Grocery · Clothing · Household equipment · Other
Other products and services provided in the shop	
Other remarks	

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RETAIL in RURAL REGIONS

Description of the region and conditions

No of inhabitants	
Active communities in the region, and their functions	
Competition situation, market share and other factors	
Closest city centre	, approx. inhabitants, distance approx. km to the shop
Peak seasons	
Public support available in the region (what, by whom?)	Consultation: Financial support:
Private or community support available	
Other networks	
Local products or specialities	Are they available in the shop? ☐ Yes ☐ No (why?)
Other remarks	

Consumers

Already available consumer surveys?	☐ Yes ☐ No
Summary	
Is the shopkeeper willing to make a survey?	☐ Yes ☐ No Other remarks:
Other remarks	

Development targets

Plans for growing the business	
Willingness to increase the number of products and services, please specify what product lines or services	
Plans for differentiating the business from competitors (e.g. specialisation)	
Other remarks	

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RETAIL in RURAL REGIONS

Competence and wishes of the retailer

Education	☐ secondary school ☐ upper secondary school ☐ university qualification: Complementary education:
Computing	☐ Using the computer daily hours for ☐ work and/or ☐ free time ☐ Using the computer 2-4 times/ week for ☐ work and/or ☐ free time ☐ Using the computer less than 3 times a week
Internet	☐ Using the internet daily hours for ☐ work and/or ☐ free time ☐ Using the internet 2-4 times/ week ☐ work and/or ☐ free time ☐ Using the internet less than 4 times a week If the internet is used for work, what types of activities are taken? ☐ Placing orders ☐ Receiving orders ☐ Interactive communication with customers and/or deliverers ☐ Searching for information ☐ Other: Is there a possibility to participate in eLearning sessions? ☐ Yes ☐ No
eTrade	☐ already functioning in the field of eTrade: ☐ Interested in the possibility to function in eTrade ☐ Not interested of eTrade, because
Overall level of ICT adoption within the business and any barriers to ICT adoption	
Language(s)	☐ Using English daily ☐ Using English weekly ☐ Using English only during peak seasons ☐ Not using English Own evaluation of the competence level in English (considering the possibility to participate into courses run in English): ☐ excellent ☐ good ☐ fair ☐ tolerable Other languages needed in work ☐ Germany ☐ French Other: ☐ ☐ Description of competence level and need of training in other languages
Areas for training and consultation	☐ Basic ICT usage (not part of RRR, please consult where to find training – unless the problem is minor and can be advised on the spot) ☐ Language skills (not part of RRR, please consult where to find training) ☐ eTrade, eEnvironment ☐ eTrade, business plan

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RETAIL in RURAL REGIONS

	eTrade, other issues: New products (field:) New services (field:) Other areas for training
Nature and timing of training (i.e. on-site, off-site, duration of programmes etc)	

Suppliers

Involvement with Buying groups	
Number of suppliers	
Local suppliers, description	
No of deliveries	Approximately deliveries per day on average, during peak season Approximately deliveries per week on average, during peak season
Transportation, description of logistics	

RETAIL in RURAL REGIONS

Brief SWOT TOWS exercise

	External Opportunities (O)	**External Threats (T)**
Internal Strengths (S)	**SO** "Maxi-Maxi" Strategy; Strategies that use strengths to maximize opportunities	**ST** "Maxi-Mini" Strategy; Strategies that use strengths to minimize threats.
Internal Weaknesses (W)	**WO** "Mini-Maxi" Strategy; Strategies that minimize weaknesses by taking advantage of opportunities.	**WT** "Mini-Mini" Strategy; Strategies that minimize weaknesses and avoid threats.

This helps you identify strategic alternatives that address the following additional questions:

- *Strengths and Opportunities (SO) - How can you use your strengths to take advantage of the opportunities?*
- *Strengths and Threats (ST) - How can you take advantage of your strengths to avoid real and potential threats?*
- *Weaknesses and Opportunities (WO) - How can you use your opportunities to overcome the weaknesses you are experiencing?*
- *Weaknesses and Threats (WT) - How can you minimize your weaknesses and avoid threats?*

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RETAIL in RURAL REGIONS

Following actions agreed with the shopkeeper:

Following other actors will be contacted based on the interview:
(by ☐ shopkeeper/ ☐ project representative)

Date of the interview / 20

Participants:

(signature)

(signature)

Follow-up date agreed to / 20

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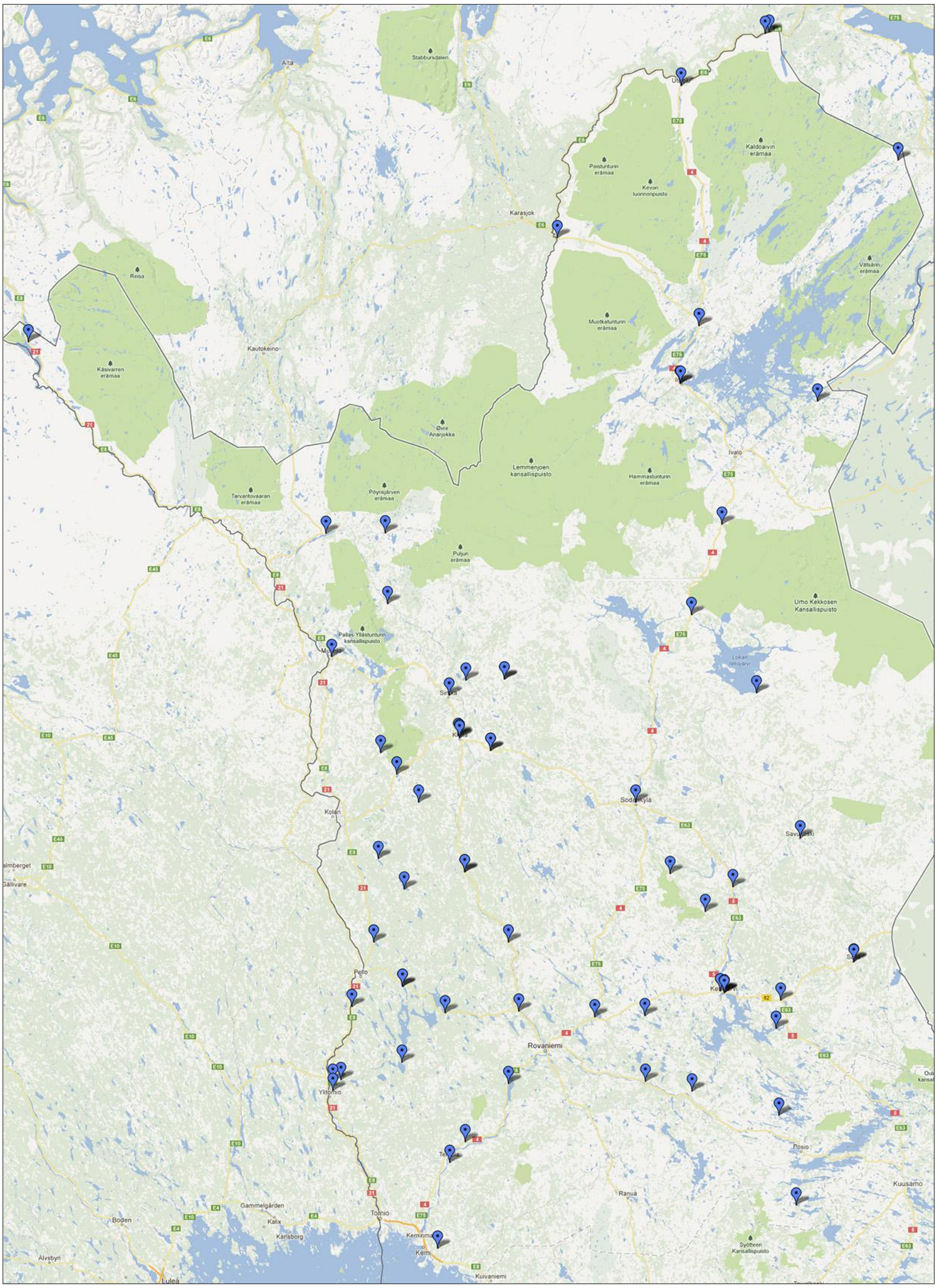
Appendix 3

MAP OF INVITED RETAILERS



Appendix 4

MAP OF INTERVIEWED RETAILERS